The China Weekly REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

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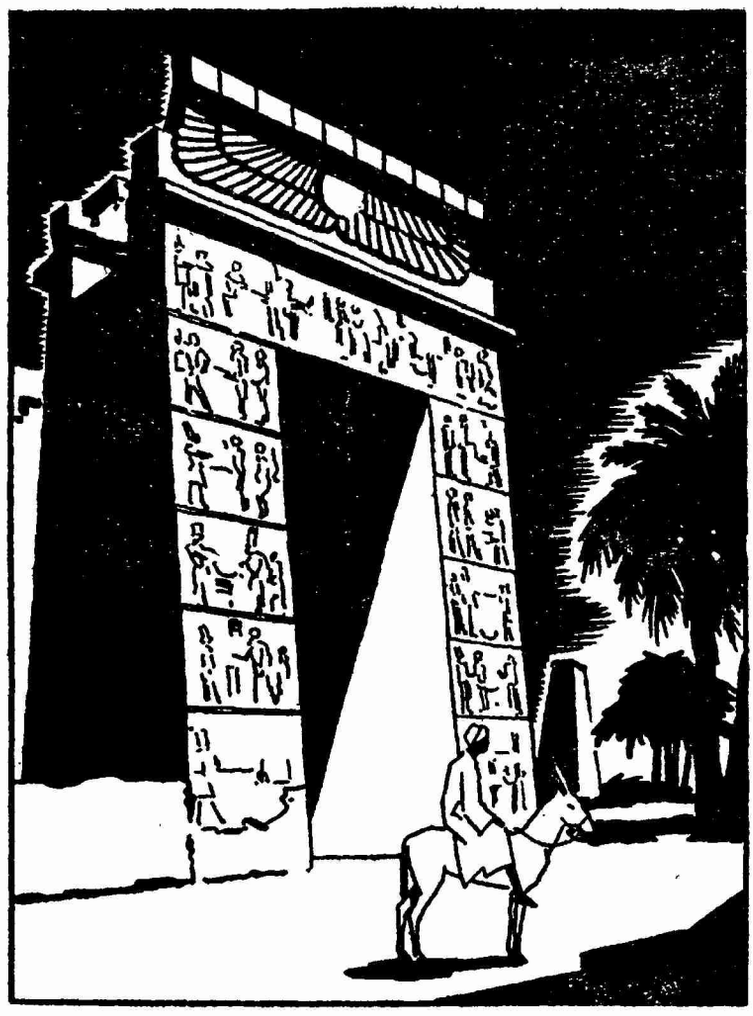

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CAN CHINA WITHSTAND THE PRESSURE?

SHORTLY following the occupation of Shanhaikwan on January 1, the Japanese military authorities announced they still had two major objectives—the occupation of Jehol province and the elimination of Marshal Chang Hsueh-liang. Both have been accomplished. What will be the next move?

The question is answered in numerous rumors, some of which have appeared in the newspapers in recent days. They may be summarized in a few words: Japan wants to enter into private negotiations with China in order that China may be induced to legalize Japan's position in Manchuria!

As the situation stands today, Japan has complete military control of Manchuria, including Jehol, but her position while militarily strong is legally weak. If Japan could induce China to agree to her control of Manchuria and sign a treaty to that effect, Japan would then go to Geneva and thumb her nose at the League. That would prove her contention that Japan was right and the rest of the world wrong on the whole issue.

In order to achieve this final objective, the Japanese Government will now bring strong pressure on China in innumerable ways. Certain European nations having important interests in north China which would be damaged by a continuance of the Sino-Japanese conflict, will also press China to agree to the Japanese proposal. This is the situation which China faces today!

That there are some Chinese who now feel that China should make peace with Japan, regardless of the terms, goes without saying. A leading Chinese weekly, published in the English language, declared a few days ago, "Nanking must have come to the realization that a settlement with Japan on the battlefield holds a slender hope of success, and that further resort to the League is no more fruitful of result. A new policy vis-a-vis Japan must be adopted, and it must be adopted with courage. Public sentiment may be respected as a rule, but an exception is sometimes useful just to prove such a rule. That is the true test of statesmanship and of patriotism. To cater to misguided, though popular, opinion and thereby to contribute to its spread is the worst disservice which a government can render to this sorely tried country."

The writer of that paragraph apparently wants China to agree to Japan's permanent con-

trol of Manchuria, or possibly he has argued himself into the belief that it would be better to agree now and wait for a better day when China is really prepared for a genuine test of arms with Japan. At any rate he expressed a viewpoint that is held by some Chinese, that the recovery of Manchuria by force of arms is hopeless and that it is equally hopeless at the present stage of world affairs to expect outside help. That this group, although in a minority, is influential goes without saying because it includes individuals and factions in the north and elsewhere, whose property and political interests would be prejudiced by a continuance of the struggle.

But the prevailing opinion in China favors a continuance of the struggle, this opinion being based on a realization that Japan's permanent control of Manchuria is but the beginning of the lopping-off process that ultimately will result in the loss of China's outlying provinces, and the reduction of China to the position of a minor Oriental state.

Also there is a realization that Japan, despite her great military strength, is not impregnable. Nothing could be more disastrous to Japan than an extension of the present conflict across the plains of north China for that would require large bodies of troops and further heavy expense on a government which already is flirting with bankruptcy. If Japan could force China to agree to a legalization of Japan's position in Manchuria, Japan could then take that document to the world's money centers and borrow large sums now needed in Japan to stave off the bankruptcy and to consolidate her position on the Asiatic continent. But so long as Japan's position is illegal; so long as the League's decision stands, Japan can't borrow foreign money and that means her domestic situation will steadily worsen. And as the situation grows worse in Japan, the Japanese war-lords will become more and more frantic about their positions, not in Manchuria, but in Japan proper.

There are, therefore, two prevailing schools of thought in China in respect to the present crisis, one, a minority group, favoring peace on Japan's terms and the other favoring a continuancnce of the struggle. It is altogether likely that this question may become the subject of acute political controversy leading possibly to an outbreak of civil war. Nothing could be better for Japan than such an eventuality, for that would enable the Japanese war-lords to accomplish their ambitions without further fighting or expense.

Whatever course China decides to pursue in the present crisis, it should be the result of serious thought, frank consultation and united action. The one thing Japan fears as an outcome of the present trouble is a united China.

The great danger in the present situation from China's standpoint, is secret diplomacy. Japanese war-lords, anxious about their own positions in Japan, will come forward with numerous proposals for peace, but they will not move openly. They will move secretly, offering private inducements to Chinese leaders or factions. The only way for China to meet this menace is for the Chinese people to insist upon unity among China's leaders and the adoption of a united policy, resulting from frank discussion and unanimous decisions, openly conceived and publicly announced!

SIAM WOULD BE "NEUTRAL" IN THE FAR EASTERN CONFLICT

RECENTLY when the chairman of the League Assembly at Geneva asked a show of hands on the question of adopting the Committee of Nineteen's report on the Manchurian issue, the representatives of 42 nations voted against Japan. Only one nation in this important world assemblage refused to vote—Siam! When the news of Siam's action in refusing to vote reached the Far East it produced intense indignation in China where it was interpreted as "pro-Japanese." On the other hand Japan welcomed the action and hailed the little kingdom of the "Sacred White Elephant" as an unexpected friend in an unfriendly world. In a dispatch to the *Osaka Mainichi* dated Feb. 27, the vice-minister of Foreign Affairs at Bangkok, in explanation of Siam's action declared, "Siam's stand in regard to the Sino-Japanese dispute differs greatly from that of Europe and America. We have always remained strictly neutral in so far as Sino-Japanese problems were concerned. Nor do we see any necessity for changing it in future. From Siam's standpoint we do not see wherein we can gain anything by siding with either party to the dispute. It was necessary for our delegate to appear at the assembly and to clarify Siam's stand."

The Japanese newspaper which published this telegram from Bangkok added some interesting details regarding conditions in Siam, but first gave the Japanese Minister to Siam, Yasukichi Yatabe, full credit for inducing Siam to remain neutral. Also, it was explained that practically 20-percent of Siam's population of some 11,000,000, are of Chinese blood and that the Chinese had built up a strong economic and financial foothold in the country. Attention was then called to the fact that Siam "has long felt the pressure of France and Britain....and for the past several years the relations of Siam and Britain have not been satisfactory, whereas the little kingdom has always maintained cordial relations with Japan and these friendly relations have of late been greatly strengthened." In order to show her appreciation of Siam's "neutral" stand at Geneva, the Tokyo Foreign Office cabled Ting Shih-yuan, the Manchukuo representative at Geneva, ordering him to proceed home by way of Bangkok and express the personal thanks of both Japan and Manchukuo to King Prajadhipok and his Foreign Minister, Pha Srivisal Vacha.

Although China has more than 2,000,000 of her citizens residing in Siam, the Japanese enjoy a diplomatic advantage in the country through having a minister resident in the Capitol. China has no minister, despite several attempts in the past to induce the Siamese government to accept one. The generally accepted reason is that the Siamese king feared if the Chinese maintained a minister in Siam, he would shortly have more power than the king due to the large Chinese population and its economic and financial strength in the country. More than a third of the population of Bangkok is Chinese and in addition to those of pure Chinese blood are many more thousands of people with mixed Chinese blood due to long custom of Chinese inter-marriage with the Siamese. The Chinese in Siam, as in the Straits Settlements, Netherlands East Indies and the Philippines, have maintained their racial identity through their own schools and

newspapers and also have always maintained close contact with their home nationals. The maintenance of Chinese schools and newspapers as well as branches of the Kuomintang party in Siam have long been a sore point with the Bangkok officials who have frequently enacted "anti-Chinese" legislation.

Siam's failure to vote on China's side at Geneva, aside from the ensuing reactions in China, has had further repercussions. A charge has been made that Japan has a secret agreement with Siam which provides that in the event of an international arms embargo against Japan, Siam might serve as a trans-shipping point for needed Japanese munitions. Other allegations have been made that in the event of a crisis between Japan and Britain over the Singapore Naval Base, scheduled for completion in September 1935, the Siamese might permit Japan to establish naval and aviation bases along the Siamese coast adjacent to the Federated Malay States, which is British territory. Another and probably the most far-fetched of the allegations is that Siam has granted to the Japanese the right at some time in the future to construct a ship canal across the narrow neck of the Malay Peninsula, which if consummated, would sidetrack Singapore and shorten the sea-route between Japan and India by more than a thousand miles. Aside from the Japanese, the Siamese are the only Orientals who have gained complete independence from Occidental domination, but the Siamese have paid a heavy price for their independence. Wedged in between British Burma and French Indo-China, they have been compelled to fight for their national existence and on occasion when the tide went against them they were compelled to cede important territories to their powerful neighbors, said territories usually containing valuable resources such as tin mines or teak-wood forests. A decade ago the United States took the lead in surrendering its exterritorial rights in Siam, the so-called "Siamese-plan" of gradual relinquishment of judicial rights, frequently having been recommended to China as a way out of the similar system which prevails in this country. In June last year the so-called Siamese People's Party staged a bloodless revolution and forced King Prajadhipok to surrender some of his arbitrary powers. As a result the country now has a parliament of 70 members while executive power rests with a committee of fifteen drawn from the party.

French Authorities Contribute $20,000 to Chinese Y.M.C.A.

M. Meyrier, French consul-general for Shanghai, recently transmitted to the board of directors of the Chinese Y.M.C.A. of Shanghai a contribution of $20,000 from the "Caisse des Oeuvres d'Interet Public de la Concession Francaise," (in other words the fund of the French Concession into which are paid the heavy taxes levied on the Canidrome dog-racing and Hai Alai establishments, the principal revenue of which is the pari-mutuel), of which M. Meyrier is the president. The contribution was sent through the honorary president of the Shanghai Y.M.C.A., Dr. C. T. Wang. The letter of transmission expressed friendly interest in and appreciation on the part of the donors for the opening of the new Y. M. C. A. building in the French Concession. The contribution is to be used as the initial gift of a fund to be raised for the completion of the new building on Boulevard de Montigny.

JOHN D. ROCKEFELLER, JR., INHERITS THE AMERICAN MOVIES

(Christian Century, Feb. 8)

A MALIGN FATE seems to lie in wait for those who attempt to lend a helpful hand to the enterprises of the American moving picture industry. An article in the current number of the *Forum* tells of the way in which the big banking interests of New York, having been tempted to finance Hollywood during the boom days of 1928, now find themselves in so deep that there is no way of getting out, although the future shows no prospect except that of throwing more good money after bad. It will be a long time before the churches will forget what happened to the Federal council officers who were persuaded of the industry's desire for their "co-operation." And now Mr. John D. Rockefeller, jr., having been induced to participate in what looked like nothing more than a local building enterprise, is waking up to the realization that he has had a bankrupt industry dumped in his lap! It must be a distressing experience for Mr. Rockefeller, but it may turn out to be a godsend for the public.

The full story of Mr. Rockefeller's misadventures with Radio City has not yet been disclosed, and probably never will be. The press is filled with rumors, and even more sensational gossip is to be heard in financial circles. It is even whispered that the huge building enterprise in New York has endangered the Rockefeller fortune. We give no credence to such rumors. Even should Radio City turn out to be a total and irretrievable loss the Rockfeller fortune, while reduced in some degree, would continue to be one of the world's largest. It is plain, however, that Mr. Rockefeller has become involved in a venture so poorly conceived that, within a week after its public opening, the program in the theaters had to be abandoned, while simultaneously Mr. Rockefeller, as landlord, found his rentals being paid in shares of a moving picture company that has now gone into receivership.

From the viewpoint of the auditors of the Rockefeller estate, this must seem the worst time imaginable in which to get mixed up with the movies. (Unless, that is, the auditors are not adverse to discovering items that can be written off against income tax charges.) The whole motion picture industry seems to be intent on going broke as quickly and unanimously as possible. In the week preceding the writing of this editorial two of the largest companies, Paramount and RKO—the orphan left on Mr. Rockefeller's doorstep—went into receiverships, while several of their subsidiaries were thrown into bankruptcy. Quotations of other leading companies at the close of the stock exchange on January 28 stood: Fox, 1⅞; Loew's common, 16; Pathe, ½; Warner brothers, 1⅜. Other receiverships may have been announced before this issue reaches our readers. Feverish negotiations, seeking the consolidation of several of the producing companies, are reported to be under way. But the market evidently expect the entire industry to follow the Paramount and RKO example.

The public statements which accompanied the two receiverships already established blamed the collapse largely on the chain-theater system. Paramount-Publix has had about 1,500 local

theaters on its string; RKO about 300. The movie magnates built up these chains on the theory that they could thus control every phase of the industry, from the making of the picture to its showing to the public, and on terms which would preclude any local "interference" with the plans of Hollywood. Between owning the largest theaters themselves and enforcing block-booking on all the rest, the Hollywood magnates figured that they had worked out an impregnable system under which the public would take what they gave it or else....The arrival of the depression, however, proved sufficient to precipitate growing public disgust into choice of the "or else" alternative. People stayed away from the movies in droves. The heavily over-built chain systems became a nightmare liability in the offices of the principal companies. Significantly, in the cases of both Paramount and RKO the theater-operating subsidiaries have not gone into equity receiverships, but into full bankruptcy.

Yet the moving picture industry has not been reduced to these straits by a badly advised real estate policy alone. Says the *New York Times*, "Full blame for the troubles of the motion pictures industry is not entirely laid at the door of lavish expenditures for expensive theaters, equipment, programs and personnel, although these are viewed as important contributory influences. Observers believe that there is at stake *the entire theory* by which motion picture companies have come to control every phase of the business." (The italics are ours.) Then this newspaper, which is generally regarded as speaking for the conservative financial interests, names first of all the system of block-booking as one of the specific evils which has worked mischief. This is even put ahead of the razzle-dazzle financing that has baffled the comprehension of a senate investigating committee.

Fuller light will be cast on the actual condition of the industry in coming weeks. In the meantime, here is Mr. Rockefeller with it on his hands. His Radio City venture has made him the virtual owner of RKO. The Chase national bank of New York—the Rockefeller bank which has just elected Mr. Rockefeller's brother-in-law president—has "loaned" Fox films somewhere between 100 and 150 million, which leads the writer in the *Forum*, already referred to, to remark that it is hard to tell whether Chase owns Fox or Fox owns Chase. Either way, Mr. Rockefeller is the actual power. Negotiations are being rushed looking toward the merger of Warner brothers with Fox, which would give Mr. Rockefeller the third of the "big five" companies. "Right now," says *Varieiy*, leading journal of the amusement world, "the Rockefellers' picture interests alone are twice that of any other powerful interests."

The same usually well informed source of information declares that Mr. Rockefeller means to discharge "very seriously" the responsibility which this unexpected acquisition of a deflated industry has brought to him. In confirmation, it points out that John D. Rockefeller III has been put in immediate charge of the estate's new amusement interests. This is exactly what we would expect of Mr. Rockefeller. Having got into this thing, however unwillingly, Mr. Rockefeller is the sort of man who will see it through. Nor will he see it through solely in the hope of extracting a money profit, which was the lure that enticed such men as Mr. Harley Clarke, the public utilities magnate, Mr. Wrigley, of chewing gum fame, and Mr. Hertz, the taxi tycoon, who all took a whirl at the movies within the past two years and who all eventually ran for the nearest exit. Mr. Rockefeller will bring to his control of the industry as keen a demand for social responsibility as for industrial competence. He will try, we are sure, to discharge his new power as a public trustee.

What will Mr. Rockefeller do with the movies? Prophecy would be foolish. That he will employ the best brains to be had can be taken for granted. That he will lay down a few high standards of public relationship we believe certain in the light of his character. But as to the details of his future program, we have no desire to venture a guess. One thing, however, we think will be true. Mr. Rockefeller will have no illusions as to the condition of this industry which he has, willy-nilly, inherited. It is on the rocks. It must, in the expressive language of the financial pages, be "put through the wringer." When it goes through the wringer Mr. Rockefeller will know that it needs, if prosperity is to be restored, to have wrung out of it far more than certain mistaken financial practices. Before the movies can be restored to soundness there must be wrung out of them their penchant for the gaudy and cheap, their obsession with sex, their scorn for the rights of the local community, their reliance on shady trade practices, their readiness to besmirch America's reputation in the eyes of other nations, and that whole attitude of dependence on an ability to fool the public that has found its expression in the Hays office. Never has Mr. Rockefeller had so great an opportunity for public service, both national and international, as confronts him while he "wrings out" his new acquisition.

Dr. Yen Presents His Credentials in Moscow

Dr. W. W. Yen, Chinese Ambassador to Soviet Russia, presented his credentials to M. Kalinin, chairman of the Central Executive Committee, at Moscow March 9. The ceremony took place in the palace of the Kremlin and was attended by M. Litvinov, M. Karakhan and M. Kozlovsky. After an exchange of speeches, Dr. Yen introduced his staff to M. Kalinin, with whom he then had a private audience. In his speech Dr. Yen expressed his gratification at the restoration of the old friendship between China and Soviet Russia and especially his personal satisfaction with the part he had been able to play in furthering good relations between their respective states. The Republic of China and the Union of Soviet Socialist Republics, he declared, were bound together by geographical ties and by historical and political associations.

In his reply, M. Kalinin said the government of Soviet Russia has been and continues to be guided in its relations with the Chinese Republic by those great principles which it proclaimed in its historical declarations of 1919 and 1920 and which found a real embodiment in the Peking agreement of 1924, the first agreement concluded by the Chinese Republic with a foreign state on the basis of full equality and a thorough respect for the rights and interests of the Chinese nation.

Britain Abandons Embargo on Arms To Far East

Stanley Baldwin, lord president of the council, announced in the House of Commons March 12 the removal of the British embargo on the shipment of arms to China and Japan. He emphasized that the British arms embargo was a provisional arrangement pending international consultation, but as there was no prospect of any international agreement in the near future, no useful purpose would be served by maintaining an embargo observed by Britain alone.

Japanese Take Over Manchurian Railways--- And Close the Transportation "Open Door"

ON March 1, at 4 o'clock in the afternoon, a contract was signed in Tokyo between the official representatives of the Japanese government-owned and operated South Manchuria Railway Company and the Japanese protected state of Manchukuo, which had the effect of converting the S. M. R. into one of the largest and most important railway systems in the world with a mileage of 2,816, almost equivalent to the distance across the United States from San Francisco to New York. The new Japanese system on the Asiatic continent does not, of course, compare with such systems on the North American continent as the Canadian Pacific which operates some 15,000 miles, the American Southern Pacific System which operates some 14,000 miles or a number of other roads in the United States which have mileages ranging from 5,000 to 12,000. Recently there have been some important consolidations in the United States which have greatly increased the mileages of certain systems, but these mergers have been the result of private financial deals. Therein they have differed from the recent railway consolidation in Manchuria which was the direct result, not of private financial deals, but the direct result of military conquest by the Imperial Japanese Army.

The new Japanese railway merger includes all railways in Manchuria with the exception of the Russian owned Chinese-Eastern line which is some 1,000 miles in length. But while the Russian line is not included in the announced S. M. R.-Manchukuo agreement, the British financed Mukden-Shanhaikwan line, 388 miles in length, apparently is included as the published text of the compact indicates. The reason the Japanese have not included the Russian railway in their combine is that the title of the line still rests with the U.S.S.R.; however, that has not prevented the Japanese from assuming military control and establishing garrisons at all of the principal towns from Harbin to the Soviet borders on the east and west. The Japanese, through their puppet appointees to the C. E. R. board of directors, also have an important voice in the management of the road, fixing of freight and passenger rates so as not to interfere with the South Manchuria line and in other ways. The Japanese military authorities also have assumed control of all shipping on the Sungari River in North Manchuria, a vital link in the transportation system of the territory. The full text of the so-called "cooperation agreement" between the Japanese railway and the puppet state of Manchukuo, as published in the English edition of the *Osaka Mainichi*, March 3 follows:—

"1. The development and effective coordination of the various means of communication in Manchukuo, and especially of the railways, constitutes the first condition for the maintenance of peace and order in the country and for the progress of her industries.

"The present situation in regard to railways, however, is most unsatisfactory. The network of railways is far from being complete, and the local railways are managed separately and without any cooperation.

"The urgent need of coordinating and rationally administering these railways so as to increase their economic and technical efficiency, is apparent. The most efficient way of realizing that desirable end is to request the South Manchuria Railway Company, which has long experience in railway administration in Manchuria, to undertake the management of these railways for Manchukuo.

"Moreover, the arrangement happens to be a convenient one for both Manchukuo and the South Manchuria Railway Company, with a view to the settlement of the enormous liabilities incumbent on Manchukuo in favour of the Company concerning her railways.

"The above is the reason why Manchukuo, by a contract recently signed between Manchukuo and the South Manchuria Railway Company, has entrusted the latter with the management of her railways.

"The purpose of the contract agrees also with the spirit of the protocol signed by Japan and Manchukuo on September 15, 1932, Article 11 of which provides for cooperation between the two countries for national defence.

"2. The provisions of the contract may be summarized as follows:

"The loans and other liabilities totalling about Yen 130,000,000, which Manchukuo is under obligation to repay to, or has incurred in favour of the South Manchuria Railway Company in connection with her existing railways, viz., the Kirin-Hsinking, Kirin-Tunhua, Kirin-Hailun, Ssupingkai-Taonan, Taonan-Angangchi, Taonan-Solun, Chichihar-Koshan, Hulan-Hailun (including a part of the enterprise of waterborne traffic on the River Sungari), Mukden-Hailun, and Mukden-Shanhaikuan (including the Tahushan-Tungliao line and its appurtenant ports) railways, are merged together and converted into a loan under the contract:

"All the property and revenues of these railways are to constitute the security for the loan, and the management of these railways is entrusted to the South Manchuria Railway Company.

"All claims and debts existing between the Manchukuo Government and any third party concerning any of the above mentioned railways will be settled by the company after consultation with the Manchukuo Government, the company agreeing to pay out of the revenues to be derived from the management of these railways, the amounts necessary for payments found due, as well as for the fund for the redemption of the loans which the Mukden-Shanhaikuan Railway is under obligation to repay to the British & Chinese Corporation.

"Of the property and revenues of the Mukden-Shanhaikuan Railway, that portion which is related to loans made by the British & Chinese Corporation, Ltd.. is to be excluded from the security of the present contract until the pending questions concerning the loans shall be settled.

"The Manchukuo Government concludes with the South Manchuria Railway Company a separate contract for the construction of railways between Yunhua and the River Tumen, between Lafa and Harbin and between Taitung and Hailun, respectively.

"The cost of construction is to amount to the approximate total of Yen. 100,000,000.

"As it will be necessary for Manchukuo, in connection with the construction of the Tunhua-Tumen River railway, to purchase the Tienpaoshan-Tumenkiang Light Railway, Manchukuo will borrow from the South Manchuria Railway Company about Yen. 6,000,000, as capital for the purchase, and will entrust the management of that light railway to the Company."

A perusal of this agreement shows that the Japanese have been able to accomplish with the sword, machine-gun and air-bomber what they could not accomplish by peaceful means when Manchuria was under Chinese control. In a sense it represents a culmination of Japanese ambitions in the Chinese northeastern provinces, provided of course, we exclude the final Japanese ambition of annexing the territory outright. This

doubtless will come in the not-distant future providing there is no early improvement in world conditions. There are a number of important elements in this agreement which are not immediately apparent, but one clause is significant, the one which gives the Japanese the right to construct additional lines, three being mentioned—between Tunhua and the Tumen river, between Lafa and Harbin and between Taitung and Hailun. These new lines, when completed will perform two important functions: first they will completely ham-string the Russian C. E. R. and second, they will tend to facilitate Japanese military transport through the territory, an all-important element in view of Japan's expectation of an early conflict with Soviet Russia.

Thus does another chapter begin in the railway history of Manchuria. First, the Czarist Russians constructed the trunk-line road across the three northeastern provinces leading from Chita on their Trans-Siberian line to Dairen, the Russian object being to find an outlet to a warm-water port on the Pacific. The Japanese regarded the Russian railway as a spear thrust in their direction, so they fought and defeated the Russians and took the southern end from Changchun to Dairen as their own. The Russians then completed the branch across North Manchuria from Manchouli through Harbin to Vladivostok and let it go at that. But the Japanese were not content with the mere control of their end of the railway, renamed the South Manchuria line; they set about converting it into a "spear-head" of their own, the object being the economic and military conquest of the country. The Chinese realizing the purpose of the Japanese, made plans to check-mate them. They constructed a rival set of railways in a sense paralleling the 689-mile Japanese road. Also, the Chinese made plans for opening a new port, Hulutao, on the Gulf of Chihli which would make them independent of the Japanese monopoly at Dairen. By directing their major effort toward railway construction the Chinese succeeded in a comparatively brief period of time, in completing the construction of some 1,600 miles of new roads much of the materials for which they purchased in the United States and Europe. The money was supplied by the Manchurian and provincial governments, by private Chinese interests and in the form of loans from the South Manchuria Railway. Why did the Japanese lend money to the Chinese when they knew the Chinese were constructing a rival railway? This question is fully answered in the Lytton Report—the Japanese hoped the new Chinese lines would serve as feeders for the S. M. R., or would take business away from the Russian railway in north Manchuria. Or the Japanese figured that the Chinese probably would default on their loans and thus enable the Japanese to foreclose. But the Chinese completed their new railways and in 1931 officially opened their new port at Hulutao. The result immediately was shown in decreased revenues on the Japanese railway and had the Japanese not resorted to military means the Chinese would have broken the S. M. R. strangle-hold on the country and compelled the Japanese to transform their military-strategic railway into a plain commercial enterprise as it should have been.

But the Japanese military establishment, seeing their foothold on the continent rapidly being undermined by Chinese competition, decided to act. World conditions as well as political conditions in Japan favored them. The results already have been told in these columns, in the press of the world, in the Lytton Report and in the debates at Geneva. By force of arms the Japanese have occupied the territory, set up a puppet state and are now in military control of the entire territory, an area almost one-fourth the size of the United States and in many economic respects resembling the middle-western states of the American union. In putting over this conquest the Japanese have flouted the public opinion of the world and have torn up most of the treaties designed to prevent this sort of robbery.

The 1932 report of the South Manchuria Railway recently issued, contains on Page 84 the following significant paragraph,

> "The recognition of this new state (Manchukuo) by Japan or other Powers must depend on how far it is capable of maintaining peace and order and of fulfilling international obligations. Some Powers may hesitate or delay such recognition for political reasons. However, should their nationals desire to commence or continue their trade in and with Manchuria it would be much better for their Governments to recognize the new state. Business necessity must often modify political sentiment."

The Japanese have announced all along their intention of respecting the international treaties pertaining to the Open-Door in Manchuria territory, but the foregoing paragraph from the S. M. R. report indicates there is a string attached to it. In other words it will be necessary for other nations to recognize Japan's illegal theft of China's territory in order to obtain equal trading rights in the area. The 1930 Chinese customs report on Manchurian trade showed that Japan did considerably less than half the total despite her proximity to the territory. American trade amounted to about ten percent; Russian trade to one-fourth; British trade to one-twelfth, and Holland a great importer of Manchurian products did about one sixth of the business. In other words, Manchuria was an important world market from the standpoints of both importing and exporting. But will the other nations fare so well with Japan in supreme military control? The history of international trade in Korea since Japan came into control of that unfortunate country tells another story—Japan now absorbs all of it. The Japanese must repay themselves for their military expenditures and the only way out is through exclusive axploitation by the Japanese. Already there is talk of a new tariff treaty between Manchukuo and Japan that will have the practical effect of bringing Manchuria within the Japanese tariff union. Most of the large American and European companies trading in Manchuria, observing the unmistakable drift of affairs, are winding up their businesses in Manchuria and leaving the territory. But the Japanese are playing a clever game by selecting a few "favorites" whom they will permit to continue business in the area, thus making it appear superficially that the door is open.

When the Lytton Commission, composed of British, American, French, German and Italian membership, was making its investigation in Manchuria in 1932, the members had an interview with Tokuzo Komai, Japanese super-intelli-

gence officer and intriguer who had much to do with the founding of the puppet state of Mancukuo and the drafting of the Japan-Manchukuo protocol which gives the Imperial Japanese army the sole right of garrisoning the territory. Mr. Komai now occupies the position of Privy Councillor of Manchukuo. When the members of the Lytton Commission questioned Mr. Komai about the maintenance of the Open Door he declared that the territory would remain open to the trade of the world, but made the following qualification,

> "But I should like to state that, as far as the enterprises relating to transportation which has serious relations with national defence, we would never apply the Open Door. There is no country that would adopt an Open Door in industries connected with national defence.... Our intention is to place the railway lines which are vital to our national defence or those main railway lines which are strategically important, under the control of the S. M. R. As far as those industries which have no direct bearing on the national defence, we can assure you that we will see the principle of the Open Door carried out everywhere.... Since the new state of Manchukuo is an administration formulated by the cooperation of the Japanese with the Manchurians and all its public notices and documents are written in the Japanese and Manchurian languages.... it will be necessary for subjects of a third nation to have a full command of both Manchurian and Japanese and in addition must be willing to accept the terms of employment offered, in order to obtain employment..... This is what I understand by the principle of equal opportunity....."

Resignation of Marshal Chang Hsueh-liang

CHANG HSUEH-LIANG, who managed to crowd into his thirty-five years of official life more thrilling experiences than is the lot of most ordinary mortals, has retired from office. It is almost correct to state that Marshal Chang's official life began at the date of his birth for he first saw the light of day at the little town of Haicheng, Manchuria where his father the late Chang Tso-ling was the leader of a "hung-hutze" band in Fengtien province. Of all the Manchurian chieftains who operated in that then wild frontier territory, Chang Tso-ling became the most important, ultimately becoming the recognized head of the three northeastern provinces. Chang Hsueh-liang, eldest son of the Manchurian war-lord, thus had prominence thrust upon him, being known as the "Young Marshal" even when he was a school-boy. He studied at the military training school and entered the army at the age of nineteen becoming a full-fledged officer in charge of his father's bodyguards.

Shortly following June 4, 1928, when Chang Tso-ling was killed as a result of a Japanese plot, the other Manchurian military leaders held a conference in Mukden and the result was the election of Chang Hsueh-liang to the chairmanship of the Chinese administration in Manchuria, a territory about one-fourth the size of the United States with a population of approximately thirty millions. The Young Marshal was then thirty years old and up to that time had given little promise of leadership. It was common talk in Mukden at the time that the Manchurian elders only had decided to elect the Young Marshal after they had failed to agree upon one of their own members succeeding to the position. Also, it was reported they did not have much faith in the Young Marshal's ability, hence thought they might be able to use him while continuing to pursue their own private affairs undisturbed. Chang Tso-ling, the old Manchurian "tiger" had ruled with an iron hand, hence it was with considerable relief that they viewed the elevation of the son to a position which involved both dangers and responsibilities.

But much to the surprise, and also consternation, of the elders, the Young Marshal took his job seriously and became an actual ruler. The elders had not taken him seriously because he had led the typical life of a son of a rich and powerful leader and in consequence hadn't given much promise of amounting to anything. Worse, he had acquired the opium-smoking habit, almost universal among the older military leaders. But as stated, he took his new responsibilities seriously and buckled down to the jŏb of ruling Manchuria. Also, he tried to cure himself of the opium-habit, but due to the faulty advice of a European physician, he acquired the much more dangerous morphine habit. But he even rallied from this and on several occasions considered himself entirely cured. Residents of Mukden who observed the Young Marshal horseback riding early in the morning and playing golf in the afternoons were sure that no drug-addict could engage in such strenuous physical exercise. But he suffered relapses, hence his recent statement that he intended to rest and recover his health, probably meant he has determined to cure himself of a disease which is the curse of Asia.

Marshal Chang Hsueh-liang, former head of the Chinese administration in Manchuria but now a private citizen residing in Shanghai. The picture was taken shortly after the Young Marshal assumed office as head of affairs at Mukden five years ago.

The Young Marshal, as the son of the old Manchurian war-lord and as actual ruler of Manchuria, was a combination of the old and the new in Chinese life. When he was chasing the "bright-lights" in the foreign concessions at Tien-

tsin and at Peking, he also was coming into intimate contact with the youth of China and was learning something about the hopes and aspirations of young nationalists. One of his first official acts after assuming the chairmanship of the Manchurian administration was to appropriate the sum of $12,000,000 from his late father's estate for the education of the sons and daughters of the Manchurian peasants. Mukden University,

The new "puppet" Governor of Jehol, Gen. Chang Hai-peng, recently appointed head of the province by the Japanese conquerors. Gen. Chang is standing on the right. The other officer is Gen. Sakamoto, commander of the Japanese 6th Division which participated in the occupation of Jehol.

one of the leading institutions of higher education in the land resulted from this bequest and in addition he founded another school for the education of sons of Mongolians. These schools immediately became the center of the nationalist movement in the northeastern provinces and as such aroused the intense dislike of the Japanese. When the Japanese seized Mukden in the fall of 1931 they looted the schools and scattered the students to the four winds. The text-books the Japanese displayed in Gen. Honjo's military headquarters with marked passages, indicating how Marshal Chang Hsueh-liang had been "spreading" anti-Japanese doctrines through the schools.

That Chang Hsueh-liang was "anti-Japanese" goes without saying. His first lesson in this regard was acquired while on a visit to Tokyo as his father's delegate to the Imperial Japanese Army maneuvers. There he saw numerous Chinese flags and trophies which the Japanese had taken from China during the Sino-Japanese war and other Japanese interventions and adventures on the Continent. Also, it was claimed that Young Chang became a member of the clandestine Kuomintang organization maintained by Chinese students and political refugees in Japan. At any rate he never had a chance to forget Japanese pressure on China for it always was in evidence in Mukden, particularly when the Japanese army was conducting its "field-exercises" in the public streets and open fields about the city. The fact that his father had been killed as the result of a dynamite explosion, placed in a railway viaduct with the knowledge and connivance of the Japanese militarists, naturally did not improve his feelings toward the "little islanders."

While the Japanese war-lords tolerated the Old Marshal, who played their game when he had to and out-smarted them on other occasions by entering into agreements which he never intended to carry out, they hated the nationalistically inclined Young Marshal with an intenseness that defied description. The Japanese usually began and ended their list of Manchuria grievances with references to the Young Marshal. He was accused of everything, including the north Manchurian floods, as one foreign correspondent put it last summer. There probably was considerable reason for this for Chang often was responsible for actions that caused the Japanese to "see red." When the Chinese held their official dedication exercises at the new Hulutao Harbor on the Gulf of Chihli, which marked the completion of the Chinese railway program and (as the Chinese hoped) sealed the deathknell of the Japanese monopoly at Dairen, Marshal Chang invited all the foreign consuls to Hulutao to make speeches. All accepted, including the Japanese consul, who was placed last on the list of speakers. The speeches of all the consuls were translated into Chinese but when the Japanese consul had finished his address, Marshal Chang got up, thus signifying the meeting was over without going to the trouble of translating the Japanese official's address. While the Old Marshal knew when to give in to Japanese pressure, the Young Marshal never gave in. He violated their order when he joined the National Government at Nanking and he made the Japanese military furious when he unfurled the National flag in Mukden and permitted the Kuomintang to extend its organization and activities into that area. Aside from these pin-pricks, his definite steps to bring Manchuria into closer contact with China proper also made the Japanese realize that their long-hoped-for and intrigued-for Manchurian empire was about to slip away from them. Prior to his coming into office one seldom saw any news from south of the wall in the Manchurian newspapers. Marshal Chang erected a high-power radio station in Mukden which received and distributed news from China proper and the world generally. He established direct railway connection from Mukden and Kirin to Tientsin and Peiping and even had a through passenger car to Nanking in the Yangtsze Valley. He subsidized the Chinese Y. M. C. A., helped the

American and European missionaries and donated a quarter of a million dollars to one American mission to build a hospital. Chinese professors from the south were invited to lecture in Manchuria on nationalism and he sent a strong delegation to the meetings of the Institute of Pacific Relations when that group met in Kyoto and Shanghai. It was one of his delegates to the Institute of Pacific Relations who published the so-called "Tanaka Memorial," which bared Japanese secret intrigue to the world. The real story of the source of this document never has been told, but according to report one of Chang's agents obtained it by bribing a Japanese spy in Mukden. In short, he let no opportunity slip to convince the Japanese that he was a patriotic Chinese and had no intention of becoming their puppet. When the Japanese pressed him too hard on particular issues, he would side-step by telling them to take their demands and complaints to Nanking.

Marshal Chang generally has been blamed for not putting up a fight when the Japanese staged their coup d'etat in Mukden on the fateful night of September 18, 1931. But Chang was not in Mukden at that time; he was in Peiping helping Gen. Chiang Kai-shek break up the northern military coalition against the Nanking Government. Actually he was in the Rockefeller hospital suffering from a serious attack of typhoid which he had picked up in Nanking while attending a meeting of the Kuomintang Central Executive Committee. It is a fact that cannot be overlooked that some of those who have been loudest in their condemnation of the Young Marshal for the loss of Manchuria, were themselves deeply involved in the plot against the Central Government, the suppression of which necessitated Chang's presence in Peiping. It was this plot against Nanking engineered by certain northern generals and southern politicians which facilitated the Japanese occupation of Manchuria in the fall of 1931. But there never has been any logical explanation of the failure of Chang's troops in Mukden to fight, except that they were flabbergasted by the suddenness and viciousness of the Japanese attack. Another unforgivable oversight, was Chang's action in leaving all his airplanes in Mukden for the Japanese to seize when he and his followers must have known the seriousness of the approaching crisis. Some say that Chang had been advised by one of the European ministers not to resist in order to make a better impression at Geneva, but this is rumor only. The fact is he didn't resist, when strong resistance might have made the Japanese a little more cautious about grabbing all Manchuria. Also, he didn't resist when the Japanese drove his provisional government out of Chinchow late in 1931.

Ducking into a dug-out to avoid Japanese air-bombs on the Jehol front.

Although brought up in the Chinese army and despite the fact he had actively participated in the defeat of Gen. Kuo Sun-lin, who had rebelled against the elder Chang in 1924, and had participated in numerous north China wars, the Young Marshal seemingly lacked decision when it came to fighting the Japanese. He is said to have expended a considerable portion of his private fortune in secretly financing and arming the volunteer and guerilla bands, but he never permitted his regular troops to engage in the fight, except at the very last in the Jehol campaign.

Personally the Young Marshal is most likeable. Foreigners who strongly disliked him often became close friends following an interview. He had picked up a smattering of the English language and usually could get along without an interpreter after the first interview. He was a lavish entertainer both in Mukden and Peiping and invitations to his parties were in great demand. As head of the Manchurian administration he was most progressive, not only

Chinese mountain batteries on their way from Peiping to the Kupeikow Pass, some 70-miles north of Peiping. The Kupeikow Pass leads into Jehol province.

in the fostering of education, but in development projects. He bought the first modern road-building machine ever imported into China and spent a considerable sum of money converting the Mukden arsenal into a motor-truck manufacturing plant. The first truck turned out of the plant was sent to Shanghai for exhibition at a motor-show. It was the only one the Japanese didn't seize when they occupied Mukden.

He invested large sums in the coal mining industry, employed skilled Chinese engineers, and in a short time was able to drive Japanese Fushun coal out of the Mukden market. The modern electric light and power plants which he promoted in the various Manchurian cities were so efficient that the big Japanese Fushun plant was unable to sell its services outside the Japanese railway zone. He sent commissions abroad to encourage American and European businessmen to invest in Man-

Ajax Defiant

—Costello in the Albany "Evening News."

churia and open offices in his territory. His Mukden arsenal and motor-truck factory and numerous new railway lines placed large orders with American and European firms and Mukden gave promise of rivaling Shanghai as an industrial center. One of his last official acts was to grant an important gold-mining concession to a British firm. American, British, French, German, Czecho-Slovakian firms all prospered in Chang Hsueh-liang's capital. He was particularly susceptible to foreign advice and employed a large number of foreign advisers and technical experts, but none of them was of Japanese nationality. One or two Japanese advisers whom he inherited from his father's administration were immediately paid off and sent home. One of his most trusted advisers and associates was the son of a Scotch railway engineer employed on the Peiping-Mukden railway. The two boys had grown up together in Mukden and when Chang became head of the Manchurian government, he subsidized his Scotch boyhood playmate in the motor-car business in Mukden.

But Marshal Chang, despite his foreign learnings and liking for occidentals, also had his Chinese side. In 1928 when he caught his father's former chief-of-staff, Gen. Yang Yu-ting, plotting against him, he is said to have shot Yang with his own hand. This was in 1928 shortly after Chang had assumed office. Gen. Yang at the time was director of the big Mukden arsenal and allegedly had been plotting with the Japanese to seize the arsenal and oust the Young Marshal. It was a case of who grabbed the gun first and Chang got it—and used it without hesitation despite the fact Gen. Yang was a big man in Manchurian affairs. Although not generally known, Marshal Chang for a brief period in 1925 was in military control of the Shanghai district. After the May 30 affair of that year, involving the shooting of Chinese students and laborers by Shanghai municipal police, Chang Tso-ling sent the Young Marshal to Shanghai with a force of Mukden cadets. Fengtien power at that time was at its highest point, extending from Mukden to the Yangtsze Valley and controlling in addition to the three northeastern provinces, practically all of Chihili, Shantung, Anhwei and Kiangsu. Although a youthful military officer he helped the provisional Chief Executive, the Anfuite Tuan Chi-jui in reorganizing political affairs in central and north China.

Marshal Chang also was given credit for causing the trouble with Soviet Russia over the control of the Chinese Eastern Railway in 1929, but the actual break was precipitated by Chang's subordinate in Harbin who arrested and deported the Soviet consul and C. E. R. executives in order to head off an investigation. Marshal Chang had ordered an audit of the books of the C. E. R., which allegedly would have shown up both the Chinese and Russian officials in questionable financial deals, or at least extravagances. The Chinese commander in Harbin, in order to head off the investigation, staged the raid on the Russian offices which caused Moscow to break off relations and withdraw their nationals from Harbin. The result was a near-war, but when the Soviets sent their red guards over the boundary and bombed the border cities, Marshal Chang quickly caved in and made peace, authorizing his delegate to sign the so-called Habarovsk Protocol which restored the Russians to the control of the C. E. R. Some say Marshal Chang was aware of the weakness of the Soviets (now quite evident) and might have got away with his seizure of the C. E. R. had it not been for the outbreak of civil-war south of the Great Wall. The Russians now probably regret their military intervention in north Manchuria, but they were at the time, smarting under their loss of prestige as the result of China's breaking off relations and the ousting their ambassador and consuls south of the Wall. The fact that the Russians were quick to resist Chinese interference with their railway in 1929, but have done nothing against much more serious Japanese interference since 1931 has been difficult for many Chinese to understand.

A list of Marshal Chang's honors and public offices would almost fill a column of this paper: First, an army officer and chief of his father's bodyguard at the age of nineteen. Then commander of the 3rd Fengtien mixed brigade which participated in the Anfu-Chihli war of 1920 which resulted in the Anfu defeat. For this he was promoted a brigadier-general by the Peking government. In 1922 he commanded the 2nd Fengtien army in the first Fengtien-Chihli war and in 1924 he led the 1st Fengtien army in the second Fengtien-Chihli war. When Gen. Kuo Sung-lin rebelled against the elder Chang, the Young Marshal was offered the post of commander-in-chief of the Fengtien army, but he refused to oppose his father and took the field against Gen. Kuo and helped defeat and execute the rebel. Then he commanded the Mukden cadets in the occupation of the Shanghai district in 1925 and in 1926 was made commander of the 3rd Fengtien army. In 1928, following the murder of his father he became commander-in-chief of the Peace Preservation forces in the northeastern provinces. Shortly afterward he officially joined the Nationalists and was appointed a state Councillor at Nanking. After intervening at Peiping against the northern military coalition in 1930 and thus preventing the overthrow of the Nanking Government, he was appointed deputy commander-in-chief of the National army, naval and air forces. Later he became a member of the Central Political Council, and after the Japanese moved into Manchuria he was made Pacification Commissioner for the Northeast. Last year he was impeached and severely criticised for his non-resistance policy by Wang Ching-wei, head of the Executive Yuan. But since the Japanese also were demanding Marshal Chang's retirement, he was urged to remain in office and carry on in the face of severe criticism. Wang Ching-wei then resigned himself and went to Europe for medical treatment. However, Chang did resign his post as Pacification Commission for the Northeast, but later as a face-saving device accepted the post of acting chairman of the Peiping Military Council.

On March 10 the Nanking Government accepted Chang's resignation from all his posts and on the following day he arrived in Shanghai, announcing his determination to become a private citizen. Should he succeed in winning his greatest battle, the recovery of his health, he doubtless will make his mark in the future as a private citizen. Although he has held more high posts and crowded into his life more experiences and thrills than falls to the lot of the ordinary mortal, it must be remembered that Mr. Chang Hsueh-liang, private citizen, is only 35-years of age! Although thrust into prominence solely as a result of his father's position, he accepted the responsibility and made the most of it under conditions that would have baffled most men of more mature age. That he made mistakes was most natural, but that he was sincerely patriotic goes without saying.

1000 Japanese Casualties in Jehol Campaign

Captain Ota of the Japanese General Staff announced on March 8 that Japanese military casualties in the Jehol campaign to date would number approximately 1,000, including dead and wounded. Owing to the severe cold it was stated that large numbers were suffering from frost-bite, this leading the military officials at first to suspect the Chinese were using poison gas.

One ship, docking at Moji, from Dairen on March 7 carried some 200 wounded soldiers, including two officers. All were victims of the Jehol campaign.

Chinese Put Up Strong Resistance at Hsifengkow

Heavy fighting in the Kupeikow and Hsifengkow regions has marked the past week, previous Japanese reports that these points had been occupied having proved premature. Both the Japanese and Chinese accounts agree that the struggle during the past week has been the most severe of the whole Jehol campaign. The net result however has been that it was admitted by the Peiping authorities March 14 that a retreat had been made to an unnamed point south of the Great Wall. That the Chinese had been putting up strong resistance is testified to in Japanese reports, one of which, in referring to an action along the Luan River, said that after most of the Chinese troops had fled "a small portion of gallant fighters" held on to their original positions. The Chinese sustained between 4,000 and 5,000 casualties, according to Japanese reports.

Chinese reports stated that 1,500 men of the "Dare-to-Die" corps armed with big swords, stripped bare to the waist, closed with the enemy; only 30 of them came back alive.

The Kawahara detachment of the Japanese Kwantung Army blew up the North gate of Kupeikow on the afternoon of March 14. This compelled the Chinese to retreat. The main body of the Kawahara Brigade entered late in the afternoon. The defeated Chinese force is reported to be retreating toward Shihhsiachen on the Peking highway. According to a Japanese source, the battle at Kupeikow during the last few days was so severe that the Chinese casualities reached 5,000.

Similar strong resistance was put up by the Chinese at Hsifengkow. Several thousands of Chinese troops counter-attacked in front of said city on the morning of March 24. It took many hours for the Japanese to repulse the Chinese. A heavy aerial bombardment followed the resumption of the battle.

More than 2,000 injured Chinese soldiers have been received at Shihhsiachen, according to a Chinese official report. The majority of them were sent from Kupeikow. Owing to the lack of materials for medical treatment in Shihhsiachen, many have died, according to reports. Every hospital in Peiping is now crowded with injured soldiers. The Municipal Government has ordered the theaters to accommodate the injured temporarily. Meanwhile, hundreds of cars were sent to Miyun by General Ho Ying-ching to transport the injured to the rear.

General Kuan Lin-tsen, commander of General Chiang Kai-shek's 25th division, who is lying wounded in the Peiping Union Medical College, fought with the utmost bravery. Part of his division was surrounded and a large part of those cut off were wiped out. General Kuan had his bodyguard shot down around him and himself was wounded in five places.

Severe Fighting at Hsifengkow

Severe fighting broke out at Hsifengkou early in the morning of March 12, and continued all through the day. Since March 10, the Chinese troops staged a series of attacks on the Hattori detachment. The fighting on March 12, is described by *Rengo* as the most determined of its kind in that area. At one point, in the Shengchiakow sector, Chinese corpses (according to the Japanese account) were littered about the kaoliang fields, while in the vicinity of the pass itself, they numbered over 500. Among them there were boys of fifteen or sixteen years of age.

Araki Says No Operations South of Great Wall

"I do not think so," War Minister, General Araki wrote March 14 in reply to a written questionnaire as to whether it appeared necessary to extend operations south of the Great Wall, including the Peiping and Tientsin districts. Gereral Araki added that if such operations were undertaken it would be solely for the safeguarding of Japanese lives and interests, and not for the extension of Manchukuo territory. The troops, he concluded, would be withdrawn as soon as possible.

Japanese Say They Won't Come South of Great Wall

Sir Francis Lindley, the British ambassador visited the Japanese vice-minister of foreign affairs in Tokyo March 11. It is understood that he received an assurance that the Japanese troops north of the Great Wall had no intention of entering North China unless "compelled" to do so by the Chinese.

However a Japanese spokesman intimated that the Japanese are ready to despatch reinforcements to

(Continued on page 121)

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Marshal Chang Explains His Retirement

In a farewell address to his subordinates at Peiping, March 11 Marshal Chang Hsueh-liang said that his resignation was imperative both in the interests of the country and for personal reasons. He pointed out that there might have been some excuse for the loss of Manchuria, as the crisis of September 18, 1931 was absolutely unexpected and came as a bolt from the blue. "But how can I ever justify myself in the eyes of the nation for the loss of Jehol within barely ten days?" General Chang declared.

He emphasized that since he could not prove himself equal to the task, he must let others shoulder it. It would be absolutely inexcusable if he should still cling to duties which he has so ignominiously failed to fulfill.

For personal reasons also he said he must resign, as his health is in such state that it would be impossible for him to continue to attend to the arduous duties his posts involve.

In conclusion, the Marshal said: "Chairman Chiang Kai-shek has been most kind and faithful to me as a friend. You must realize that you are serving the country, not me. To obey Chairman Chiang is to obey me. You should serve the country loyally and I am sure that your services will not be ill-requited by Chairman Chiang."

Circular Telegram Issued

In a circular telegram issued on the same day, Marshal Chang said: "It had been the aim of both my late father (Chang Tso-lin) and myself to maintain China's sovereignty in the North-East, my father having died for the cause. In pursuance of the bequeathed wish of my late father, I have, ever since my assumption of office, made it my main endeavor to contribute towards the consolidation of the Central Government and unification of the nation. I have consistently striven in this direction and have never wavered in my chosen path. It was with these aims in view that I ignored the open threats of the Japanese and raised the National Flag (in Manchuria); supported and fostered the activities of the Kuomintang in the North-East and finally, in the autumn of 1930, I entered the Great Wall to support the cause of national unification. It has been my firm conviction that a strong and sound Central Government is essential to enable us to resist foreign aggression. When the crisis of September 18, 1931, broke out, I was ill and confined to bed at Peiping. It was my belief that appeal to the League of Nations would result in the vindication of the right. When the Japanese invaded Jehol, I had orders to defend the province and therefore despatched my forces to engage the enemy. Since the hostilities broke out, officers and men have been carrying out their duties loyally. Whatever the outcome, the fact remains that over tens of thousands of my subordinates have made the supreme sacrifice for the country. After my recent meeting with President Chiang Kai-shek I became more than ever convinced that my retirement at this time is the best course to take to strengthen the Central Government and fulfill my duty to the Party and the State. I have therefore definitely decided to retire as an apology to the nation.

"At this time of retirement, I can not however help feeling solicitous for my comrades-in-arms, with whom I have been serving for such a long time. Although coming from the North-East, they are no less soldiers of the country than any other unit. A large number of them had entered the Great Wall in 1930 to support the Central Government. With the loss of Manchuria, several tens of thousands of them have been rendered homeless. I trust that the Central Government will appreciate the sufferings and privations they have undergone and accord them proper direction. I take the liberty also to beseech my compatriots and various civic leaders to give them help and support. As for myself, I can only hope that my compatriots will appreciate my sincerity, and forgive my inepititude and incompetence. Although I have made many blunders and am deserving of the strongest censure, I have really striven for naught but the interests of my country."

On his arrival in Shanghai by airplane from Peiping on the afternoon of March 12, the former Marshal issued another brief statement to the effect that the Northeastern troops are part of the National Army, and his resignation involved a mere transfer of command. He added "It is with relief that I gave up my heavy responsibilities and to devote myself to what has so long been my wish, the restoration of my health and the further training of my mind to enable me to discharge my duties as a private citizen. And I hope that my friends and countrymen will assist me to carry out my wishes in this regard."

Chang's Retirement Blow to Students

A recent message form Tokyo stated that Marshal Chang Hsueh-liang's retirement into private life threatens to deal a heavy blow to some of the Chinese students in Japan as there are about 1 000 Chinese students in the Island Empire of whom 500 are maintained by various Chinese generals, including Marshal Chang. The students receiving the support of the Young Marshel will suffer badly, as they cannot now expect remittances from him.

In addition to the students studying in Japan, Marshal Chang also provided for more than 1,000 other Chinese students in Peiping who were driven out of Mukden when the Japanese occupied that city in the fall of 1931.

Ho Ying-chin Becomes Head of Northeastern Army

Marshal Chang Hsueh-liang formally handed over to General Ho Ying-chin, Minister for War, at Peiping March 11 the post of Chairman of the Peiping Branch of the National Military Council. The office of Pacification Commissioner of Peiping will be filled temporarily by General Chiang Kai-shek.

With the abdication of Marshal Chang Hsueh-liang from the post of commander-in-chief, the Chinese North-Eastern Army was reorganised into four armies, the commanders of which are as follows: 1st Army, General Yu Hsueh-chung; 2nd Army, General Wan Fu-lin; 3rd Army, General Wang Shu-chang; 4th Army, General Ho Chu-kuo.

The supreme command of the whole North-Eastern Army has been given to General Ho Ying-chin, who will personally direct all its actions.

General Chiang Kai-shek is reported in the Chinese press to have decided to make the following appointments:

General Ho Ying-ching, Garrison Commander of Peiping and Paotingfu.

General Yu Hsueh-chung, Garrison Cammander of Tientsin.

General Wang Shu-chang, Garrison Commander of Peiping.

General Fu Tso-yi, Garrison Commander of Chahar.

General Wang Chin-kuo, Chairman of the Suiyuan Provincial Government.

General Sun Tien-ping, Commander of the Fifth Army Corps.

General Chiang Kai-shek will assume full command of the troops in North China, including those under Generals Sung Cheh-yuan, Pan Ping-hsiun and the Shansi forces. The North-Eastern Navy will also be placed under the command of General Chiang.

Some of Chiang's Appointments Cause Opposition in the North

Since the resignation of Marshal Chang Hsueh-liang was accepted, many important posts in North China have been filled with Gen. Chiang Kai-shek's men, and this (according to the *United Press*) is causing great dissatisfaction among former Nothern commanders. Gen. Ho Ying-ching thereupon issued a proclamation March 11, to northeastern military commanders and officials to attend their own affairs without anxiety, as no hasty change in personnel would be made.

Cantonese Army Mobilized to Be Sent North

Recent messages from Canton stated that much attention is being paid to air defenses. The purchase of the most up-to-date anti-aircraft guns with funds partly appropriated by the government and partly contributed by the populace has been effected with general approval, it was stated.

In pursuance of an order from General Chen Chi-tang, General Miao Pei-nan, commander of the Independent Division of the Cantonese forces, issued an urgent order on March 9 for the mobilization of the Cantonese Army. At a military conference convened by General Miao it was decided that the picked troops should concentrate at Shaokwan to be despatched to the North.

Over-Borrowing Caused Financial Crisis

BY ROBERT PICKENS

THE roots of the financial crisis in America go deeper than the more or less temporary problem of currency or the said lack of adequate federal banking legislation. Call it by any name you wish (and there are many names as there are economists) the plain fact which brought the belated panic to the United States is that the American people have borrowed more than they can pay.

For four years the creditor group in America, headed by the vast insurance companies and working through President Hoover, tried valiantly to find some new means of remedying the situation other than by the old method of bankruptcy. Sandwiched in between the creditors and the debtors were the banks of the country, many of which could not stand even slight pressure from either the debtor or the creditor class. Naturally thousands of them closed their doors and began the liquidating process which culminated in last week's debacle.

Out of the whole business may come legislation which will raise banking in America from the level of money jobbing and brokerage. The banks may become public institutions, which they should be, instead of private business enterprises exploiting other people's money for personal profits.

The key log in the American debt jam is the farm mortgage. Until the problem of how the farmer is to pay off his mortgage is solved there will be no real and lasting breaking up of the jam. The farmer and his debts have been political problems since the close of the World War. Apparently under the delusion that the war would go on forever, the American farmer rushed out and bought up all the land he could at inflated prices. His wheat was bringing G.S2 a bushel and he expanded his fields on that financial basis. His mortgages, already many times renewed, now frankly cannot be paid. When he took out his mortgage of say $10,000 in 1918 or 1919 he could have paid it off with 5,000 bushels of wheat. With wheat at fifty cents gold, when it can find a market at all, it will take 20,000 bushels to pay his debt. Of course his land will not raise any such amount, and even if it could he, collectively, would ruin an already staggering market by piling up another huge surplus.

Farm Debts Largely Held by Insurance Companies

Unfortunately most of the farm debts are held by the insurance companies into which the American people have poured probably fifty percent of their savings.

During the frantic days of governmental relief the farm board poured a half billion dollars into the hands of the farmers with no apparent results. Undoubtedly the pegging of wheat at seventy-two cents gold, the first real operation of the Board, saved thousands of banks in the farm belt. They held notes against maturing wheat crops at that price. Had wheat dropped below seventy-two cents those banks unquestionably would have failed.

Such widespread failure would have brought on an American money panic such as there was last week at almost exactly the same time that central Europe took the nose-dive which knocked Great Britain off the gold standard. Thus the farm relief of the Hoover administration kept the whole world from going cheap money crazy at the same time. If that had happened there undoubtedly would have been an international race to see which country could debase its currency fastest. There may yet be such a race.

The farmer's condition is not exceptional in the United States, although he probably is the worst off of all the borrowers. Running a close second are the railroads. Only the efforts of the Reconstruction Finance Corporation have kept more than a half dozen of the larger roads and a half hundred of the shorter lines from folding up their tracks and going out of business.

The fellow who four years ago would have howled his head off at the thought of government ownership of common carriers is now eying the prospect of such action with wistful hope. Especially if he happens to own railroad stock or bonds. It is daily more and more evident that the carriers will never be able to pay back the money they have borrowed. The relief measures of the R. F. C. have only increased their load.

The alternative of government operation is liquidation. The sooner the facts are faced the sooner the railroads will be placed back on a sound foundation. It will be nothing new for the American railroads to go through receivership. They have done it before amid howls of rage from investors. It will not be long now before the same lamentations will be heard in the land.

The moving picture industry is frankly on the rocks. Its history for the past two years is all cluttered up with mergers, receiverships, and bankruptcies. It was a lavish borrower during boom days and about the poorest payer-back in all the world. The bright spot in recent developments is the fact that one by one the cloak and suit merchants who controlled and debased the industry are going back to their old business of tailoring. There is real prospect of good pictures in the near future. The attitude of the general public is that any change in the management of the moving pictures will be a change for the better. Certainly it couldn't become worse.

A casual glance at the record of the Insulls (bankrupt Chicago utility promoter) will serve to show that a great section of the light and power industry overborrowed to such an extent that suspicions of dishonesty are aroused. Certainly the Insulls were either dishonest or stupid, and if they were stupid it was a peculiar brand of stupidity.

Moral Bankruptcy

These citations are outstanding examples of what exists throughout the entire country. Accompanying it has been a moral bankruptcy which will be harder to liquidate than the financial bankruptcy. The breakdown of confidence in the government is a direct result of having placed in nearly all of the legislative offices men who are intellectually immoral. It was a case of like breeding like. The people themselves chose these men.

Congress has been face to face with the facts of the depression for nearly four years and has done nothing worthwhile in that time. Now it appears to be making a mad dash toward currency inflation as the only way out of the economic bog into which the country sunk. This is coming after three years during which the government, face to face with the fact that the people owed more than they could pay, has loaned them directly and indirectly more and more money. The philosophy has been that the way to get out of the swamp is to sink deeper and deeper into it.

Its no wonder that the inflationists find Congress willing, and Congress undoubtedly is willing. The theory that cheap money will solve all financial evils finds a natural resting place in the mind of the average Congressman. Certainly it is a better philosophy than the one which drove the country deeper into debt.

The very term inflation scares the creditor into a fit. It may mean, however, that he will get back fifty percent of what he loaned. It is certain that under present conditions he will get nothing. The choice is between cheap money and no money.

One of the arguments advanced for currency inflation is that such action would increase commodity prices and possibly enable the farmer to pay off at least part of his debt. There is no doubt that commodity prices would rise. Whether or not the farmer could, or would, pay off his debt is problematical. There is one thing that is certain—if inflation comes in America it will be the so-called white collar class which will pay off the debts of the country.

Already the non-producer has had his income drastically reduced. The doctor, the lawyer, the clerk, the newspaper reporter, in fact, all who serve, care for, or keep the records of those who produce, have suffered through pay cuts, non-payments, or reduced fees. It will be years before the professional man can build his income back to its old level. Meanwhile, if inflation comes, he must, of necessity, pay higher prices for shelter, clothing, and subsistence immediately inflation takes place. Under such proceedure the doctor, the lawyer and the clerk will pay off the country's debts.

It will be nothing new. The white collar man always gets squeezed.

Shanghai, March 11, 1933.

Conference of Anti-Imperialist League to Be Held in China

The Third International is reported to have instructed the World Anti-Imperialist League to undertake the work of convening a conference in China, with the object of planning anti-imperialist activities. According to the Chinese press, the inquiry commission of the Anti-Imperialist League is due to leave Berlin for China about the middle of this month to attend the conference, direct the work of the Chinese Communist Party, and also visit the north-east to investigate conditions in Manchukuo.

Pope to Invest Three New Chinese Bishops in June

The Apostolic delegation in Peiping has received information that the Pope will consecrate three recently appointed Chinese bishops, the ceremony to take place in Rome next June. The three new bishops are the Most Rev. Joseph Tsoui, vicar apostolic of Yungnien, Hopei, the Most Rev. Matthew Ly, vicar apostolic of Yachow, Szechwan, and the Most Rev. Joseph Fan, vicar apostolic of Tsining, Charhar. The Most Rev. Hyacinth Stanchi has been appointed vicar apostolic of Changsha in Hunan.

The U.S. Fleet Will Remain in the Pacific

The entire United States fleet is going to remain on the Pacific coast "where it is needed most" until the situation in the Far East is easier, Secretary of the Navy Claude A. Swanson announced in Washington March 8.

Simultaneously the Secretary said that the United States should begin building the Navy to the limits allowed in the naval treaties. "The ratios drawn at the London Conference should in all respects be respected but we should have those ratios" the Secretary said. In declaring that the fleet should remain in the Pacific Coast, Secretary Swanson did not give Governmental economy as the primary consideration as high Naval officers had previously done.

Senator Clarence Dill from Washington offered a resolution in the Senate March 11 providing that the United States fleet should spend six months out of the year in Puget sound.

Y.M.C.A. Issues Native Goods Promotion Manual

A Manual for the promotion of the Chinese native products; prepared by T. L. Chang, has just been published by the National Committee of Y. M. C. A. of China with headquarters at 20 Museum Road. The volume contains autographed inscriptions of several prominent Government leaders, including Gen. Chiang Kai-shek, T. V. Soong, Tai Chi-tao and Dr. C. T. Wang and many interesting and instructive articles dealing largely with the importance of promoting native products and the methods whereby to achieve the object. Several articles explain the reasons why the Y.M.C.A. should take interest in the native products promotion movement and the advantages which the Movement will gain through the united efforts of the Y.M.C.A.'s throughout China. Among contributors to the volume are Dr. H. H. Kung, Dr. Wang Chung-hui, H. Y. Moh, Liang Han-chao (Chief Secretary of Legislative Yuan) and several others.

Japan's Trade with China During 1931 and 1932

The following figures show Japan's trade with China during the eleven months ended November 30, 1932 and 1931.

	Exports from Japan		*Imports into Japan*		*Total Imports and Exports*	
	Jan.-Nov. 1932 *Yen*	*Jan.-Nov.* 1931 *Yen*	*Jan.-Nov.* 1932 *Yen*	*Jan.-Nov.* 1931 *Yen*	*Jan.-Nov.* 1932 *Yen*	*Jan.-Nov.* 1931 *Yen*
Manchuria	20,847,000	11,367,000	39,485,000	36,529,000	60,332,000	47,869,000
Northern Ports	69,448,000	49,767,000	32,693,000	43,876,000	102,141,000	93,643,000
Central Ports	48,482,000	86,721,000	26,747,000	45,006,000	75,229,000	131,727,000
Southern Ports	270,000	3,666,000	4,792,000	7,569,000	5,062,000	11,235,000
Kwangtung Province	105,482,000	59,680,000	72,926,000	82,879,000	178,408,000	142,559,000
Hongkong	15,502,000	35,610,000	763,000	430,000	16,265,000	36,040,000
Total	260,031,000	246,811,000	177,406,000	216,289,000	437,437,000	463,100,000

By Months	*Exports.* 1932 *Yen*	1931 *Yen*	*Imports.* 1932 *Yen*	1931 *Yen*
January	11,520,000	22,354,000	21,839,000	20,413,000
February	14,144,000	20,392,000	20,404,000	21,622,000
March	23,760,000	25,844,000	20,414,000	27,220,000
April	24,568,000	23,979,000	17,973,000	25,400,000
May	24,118,000	23,823,000	17,518,000	28,141,000
June	22,185,000	24,286,000	12,475,000	20,358,000
July	23,132,000	30,693,000	8,934,000	14,326,000
August	29,669,000	26,966,000	9,300,000	12,989,000
September	28,175,000	22,992,000	12,344,000	14,310,000
October	27,582,000	15,089,000	16,053,000	15,447,000
November	31,178,000	10,393,000	20,152,000	16,063,000
	260,031,000	246,811,000	177,406,000	216,289,000

Japan's Total foreign trade for the ten months ended October 31, 1932 and 1931 was as follows:—

	1932 *Yen*	1931 *Yen*
Imports	1,151,529,000	1,043,062,000
Exports	1,085,422,000	987,158,000
Total	2,236,951,000	2,030,220,000

—*British Chamber of Commerce Journal*, February 1933.

Manchuria and a Second World War

BY FANG LO-TIEN

JAPAN conquers China. The completion of this task is merely a question of time. A second world war on the Pacific, as a reaction of Japan's imperialistic policy, is impossible,—at least in the near future.

There are too many disagreeable elements in the relations between the western Powers themselves. The problems of war debt and reparations, of tariff barriers, of security and parity of armament, which involve almost all the European nations; the territorial dispute between Soviet Russia and Rumania; the strong association between Germany, Italy, Austria, Hungary versus France —all these are standing in the way towards concerted action between the European Powers. They are moreover profoundly embarrassed with home troubles. The economic depression has produced social and political unrest throughout the European continent. The hard struggle between the Fascist and communist tendencies has shattered their national fabric. Their problem of life and death does not permit them to care for remote interests.

The European situation is controlled in the hands of England and France. Unless they have stabilized that situation, neither of them would attend to the eastern problems. As France is surrounded by rival powers, with Germany and Italy on her borders, France will never bring any more trouble upon herself by provoking Japan in the Far East, even though her cabinet now swings to the radical left. As England would not give up her position on European politics by acting independently of France and as she would not risk her colonial interests in the Far East by making an enemy of one that is nearby to it, so England would make no remarkable departure from her traditional policy towards Japan.

The recent adoption by the League of Nations of the Report of the Committee of 19 is merely from considerations of expediency; it is backed by no sincerity on the part of the leading Powers. The delegates of the small Powers pressed for this transaction because they want to make it a precedent for the solution of future international questions in the favor of small Powers. The influential delegates did not oppose its eventual adoption because they want to preserve the prestige of the League of Nations for the solution of the problems of disarmament and economic rehabilitation and other matters; they were fully aware that the adoption of a resolution without a serious intention for its enforcement is equivalent to non-adoption.

War Between Pacific Powers Unlikely

War between the Pacific Powers is equally impossible, so long as Japan refrains from attack upon the vital interests which involve the problem of life and death of the United States and Soviet Russia. For while Soviet Russia calls for spontaneous economic revolution throughout the world, she is reluctant to arouse any national enmity by starting political war with any foreign country. The United States is, on the other hand, rather disinclined to start war operations before her auxiliary naval construction is completed. The United States is rather a self-sufficient country, and just as a rich man is unwilling to start any serious struggle with any one for superfluous wealth, so she would never take the initiative step in a possible American-Japanese war.

Two additional factors determine the impossibility of a second world war so long as the international situation remains unchanged. The Powers of to-day are not the Powers of 1914. They are not yet entirely free from the legacy left them by the European War. They will never venture upon world bloodshed before they have thoroughly considered whether their interests at stake are worth fighting for or not. Secondly, the suspicions and jealousies among the Powers themselves prevent them from doing anything to obstruct Japan's imperialistic policy. They are, on the contrary, glad to trust the fate of their interests in the East to Japan, thus helping to aggrandize its power!

China suffers not from military weakness but from moral education. We have heard cannons roar in Hupeh, Hunan, Kiangsi for about two years, and we are still hearing it. Who can say that China is militarily weak? From the inception of her international relations, nationalism is really an unknown factor in the Chinese psychology. To say that the Chinese people are anti-foreign is too much a praise for them. As Bernard Shaw said, the Chinese are very courteous to foreigners but are hostile to themselves. This unconsciousness of national life is especially aggravated in the last five years (1928—1933) when the social education is thoroughly poisoned by personal stinginess, selfishness, dirty physical enjoyments, originating from intriguing official circles, spread by office-seeking Chinese "Renaissance" literates, and infused with business or money-making habits. This suicidal psychology reveals itself exhaustively in these two years since the outbreak of Japanese imperialism in Manchuria. So long as this psychology prevails, the Chinese nation is hopeless, absolutely hopeless!

As to the minorities in the East, they cannot likewise regain their feet and put up a stout fight against Japan so long as their national sentiment is paralyzed by the foolish worship of power and wealth.

Having possessed the resources of China, Japan will be relieved from economic apprehension. When all her people are well-clad, well-fed, well cared for at the expense of the Chinese, the Japanese people will never turn their thoughts to revolution, and their national force will be consolidated. Being stimulated by such a bounteous and easy success, the Japanese will certainly aspire to grander conquests. With China, Siberia, and the Pacific islands at their disposal, they can do whatever they wish.

But how about the other Powers at that time?

The western Powers confine their point of view to their individual considerations as morbidly as most of the individual persons in China limit their calculations to their momentary enjoyments. Both are short-sighted; both offer opportunity for the realization of Japanese world conquest plots!

May the Chinese and the Western Powers awake to the fact that their fate is in the grasp of the Japanese militarists!

Shanghai, March 11, 1933.

Have the Japanese an Eye on Borneo Oil Deposits?

Mr. Saito, the new Japanese Minister to the Hague, in an interview March 4 stated said that Mr. Matsuoka's visit to the Dutch capital was absolutely unofficial. Referring to the situation in the Pacific, Mr. Saito declared that there was not a single reason for uneasiness in the Netherlands East Indies. The oil stations in Borneo were undoubtedly of great importance to the Japanese navy but they would only be of decisive importance in the case of a great conflict in the Pacific between the United States and Japan, and Mr. Saito said that in his opinion a war between these two countries was impossible.

The new minister emphatically denied the danger of a conflict in the Pacific which would necessitate Japan taking steps to safeguard oil supplies and he declared that Japanese policy regarding the Netherlands Indies was friendly

Netherlands to Mobilize in Borneo

The Amsterdam newspaper *Telegraaf* claims authority for the rather sensational statement that the government of the Dutch East Indies has, in view of the tense situation in the Far East, ordered the mobilization of the militia in Borneo as a precautionary measure for the protection of the island's seaports. The paper calls attention to the fact that, according to the belief held by experts, Borneo will eventually become the principal oil-producnig country of the Far East.

Japanese Deny Planning Air Bases in Dutch East Indies

A categorical denial of the suggestion that Japan was planning secret air bases in the Dutch East Indies was issued in London March 8, by the Japanese Embassy. The denial also emphasized the fact that Mr. Matsuoka's visits to various cities in Europe and America were undertaken simply for social purposes, and also for observing the changed conditions in Europe since his last visit. He had no mission whatsover, the statement added, apart from that which he had fulfilled at Geneva as the Japanese delegate to the League of Nations.

Singapore Base to Be Completed in September, 1935

In the House of Commons, London, Feb. 22, Sir Bolton Eyres-Monsell, First Lord of the Admiralty, announced that the date for the completion of the Singapore Base under the Jackson contract is September, 1935. He said that there is no reason to suppose that it will not be completed by then. The total estimate for the work under contract and contingent services including preliminary work by the Admiralty was £5,145,000 sterling. The floating dock cost £971,000. No decision had been reached regarding erection of machine shops.

Jehol Is Lost

BY PAUL K. WHANG (汪仲芳)

THE Japanese have realized their wish by capturing Chengteh, the capital of Jehol, within eight days after the commencement of operations, not because of the invincibleness of their military machine, but because of the reluctance to fight on the part of Chinese defenders. Treachery on the part of several commanders in deflecting their forces to the enemy played an important part in breaking down the Chinese defense; while reluctance to fight on the part of Chinese volunteer leaders assisted the Japanese in speeding their conquest. As a result, cities of strategic importance were simply given away without putting up any semblance of resistance. To overtop all these tragic events, Gen. Tang Yu-ling, Chairman of Jehol province, instead of keeping his promise that he would fight to the last ditch, fled with his wealth and concubines while the enemy was still far away, and left the capital of Jehol in such a confused state that a detachment of 128 Japanese troops could enter the city without molestation.

That Gen. Tang should make good his flight should occasion us no surprise. It has long been a cause of anxiety among the far-sighted people that the government should leave the task of defending a very important frontier province in the hands of a "grey" general, whose loyalty had long been a big question mark. A general who rides on the fence to curry the favor of both sides gives sufficient proof of his cowardice, and therefore can not be trusted with implicit confidence. Moreover, a military man, after holding a high official position, is loath to fight, because he, after leading a fast and loose life with his ill-gotten wealth and harem of concubines, is apt to prize his life more than anything else. With his advanced age, Gen. Tang can not be blamed for seeking the best way to save his life, so that he can enjoy the rest of his life by frolicking with his favorite concubines.

Fall of Chengteh Was to Be Expected

That Chengteh should fall into the Japanese hands was fully expected, because we were under no illusion that our poorly equipped defenders could effectively and indefinitely check the Japanese advance. But that it should be captured by the Japanese within eight days after the commencement of operations constitutes a matter of great surprise. Apparently the defenders at the strategic points never put up any resistance at all. In view of the brave deeds of the 19th Route Army which held the Japanese in check during the Shanghai "War" last year for more than one month without any strategic points to defend but in face of the combined attacks of Japanese land, aerial and naval forces, we must say that if the Jehol defenders had one-tenth of the determination and mettle of the 19th Route Army, they could at least hold Jehol for more than one month when they had the mountainous regions to defend and were far away from the range of Japanese naval guns.

While we have no mind to demand scapegoats, we, nevertheless, can not leave the matter by pretending that the cause of the Jehol debacle lies in the weakness of our military system. It is true that the Chinese army is ill-armed and ill-trained, and no match for the highly mechanized Japanese army "with a railway system at its back, plentifully supplied with ammunition and foodstuffs, and with a transport system worked out to the last detail." But even then it does not fully explain the reason why the Chinese soldiers put up such a tragic show in Jehol.

According to the reports of the people coming back from the front, we have learned many other reasons explaining the fall of Jehol. The strategic cities were said to be left unprotected and unfortified, and the trenches were only knee-high and could not be used by the defenders to shield themselves from the aerial attacks. Moreover, the first line of defense was left in the hands of disorganized units of volunteers and former Shansi and Kuominchun armies, while the chief command of the defending forces, Gen. Chang Tso-shiang, remained in the rear and did not proceed to Chengteh until all the strategic cities, such as Chifeng and Lingyuan, had fallen into Japanese hands. With the lack of central command, treachery and discontent were developed among the rank and file of defenders, thereby giving a free pass to the Japanese to march to the capital of Jehol without any hitch.

Chang Hsueh-liang Also to Be Blamed

While Gen. Tang deserves severe punishment because of his flight, Marshal Chang Hsueh-liang, being his superior, can not wholly absolve himself from the blame of losing this strategic province. Since last June, the Japanese had massed their troops along the Jehol border, and had openly announced their intention of incorporating that province into "Manchukuo." Therefore the present Japanese invasion had long been expected and should occasion no surprise to the Young Marshal and his subordinates. Moreover, the Young Marshal had reiterated his preparedness for coping with this eventuality, and before the present operations, had taken a trip to Chengteh to acquaint himself personally with the military situation along the border.

Can it be true that after more than eight months' military preparation the Chinese position is still as vulnerable as at present? In view of the sudden collapse of Chinese defense, one can not help doubting whether the Young Marshal's repeated assurance that he would resist the Japanese invasion of Jehol can be accepted at its face value. If he had a real determination to fight the Japanese, he should not leave the frontier in such an unprepared state, and keep his own regular armies inside the Wall. The Young Marshal, being a military man himself, should be *au fait* with the fighting strength of the defending force at the front. In keeping his own armies in the rear, one must be excused for saying that the Young Marshal wished to save his own forces for his personal use.

Therefore the Young Marshal can not disclaim responsibility for losing Jehol. Through his policy of non-resistance, the Japanese have conquered all of Manchuria without making any sacrifice, and through his subordinates, the Japanese have again captured Jehol without paying a price. We are not expecting that the Young Marshal should do something impossible by holding Jehol indefinitely in face of the combined attacks of Japanese land and aerial forces, but what disappoints us the most is the fact that he has not done everything possible to resist the Japanese aggressions.

The fall of Jehol without resistance has naturally brought disgrace and humiliation to China as a nation in the family of nations, and disappointment and dissatisfaction to the Chinese people who have pledged their support, financial or otherwise, to the government in its determined stand against the Japanese. For many months, the Chinese delegates to the League of Nations have been engaged bravely and indefatigably in a prolonged battle of words with their opponents, and they have been successful in winning a moral victory for China in the adoption of the draft report of the Committee of Nineteen. But our friends can not continuously assist us, if we can not help ourselves. Therefore we can not blame our three chief delegates to Geneva for their attempt to resign at this critical moment, after our military leaders have put up such a shameful show in Jehol.

The loss of Jehol without resistance has also dampened the spirit and enthusiasm of the Chinese people, who have hitherto pinned a great hope on the defenders to resist as much as possible. Since the beginning of this year, the people throughout the country have spontaneously and generously contributed to the fund for relieving the volunteers and buying comforts for the defenders. The non-resistance at Jehol has infallibly brought home to the people the futility of contributing any money when the volunteers and soldiers are not in a mood to risk their lives. The public wrath naturally reached such a point that Marshal Chang Hsueh-liang could next retain his position in North China.

It is, of course, no use to cry over the spilt milk, but what we are anxious to know is what effective measures will now be taken to cope with the present critical situation. The easy manner in which the Japanese have conquered Jehol will naturally whet their appetite for more, and Charhar and possibly North China will become their next objectives. It is ridiculous to indulge any longer in idle talk of putting up an ever-lasting resistance and of fighting to the last ditch, when such resistance is made a farce. And it is equally ridiculous for a high military officer to wash off his hands by tendering his resignation, when four provinces have already been lost through his omissions and commissions. What he should do is to lead his armies to the front and shed his own blood on the battlefield.

Shanghai, March 13, 1933.

Bank of Japan Gold Reserves Less Than a Year Ago

The gold reserves of the Bank of Japan March 2 totalled 425,068,000 yen compared with 425,068,000 yen the week previous and 430,560,000 yen on March 3 last year. These figures shows no change from the previous week but a decrease of 5,492,000 yen from last year.

Lapse of Sino-Japanese Tariff Treaty

BY K. T. WU

AS early as 1902 when the Mackay Treaty was concluded with Great Britain, there was a Chinese demand for tariff autonomy, but it has borne no fruit through fully one quarter of a century. Ever since the inauguration of the National Government it has assiduously pursued its policy in demanding the abrogation of all treaties which impair the integrity of China as a sovereign nation. The negotiation of new treaties in place of expired ones has been invariably on the basis of absolute equality and reciprocity.

Among the long-cherished desires of the Chinese government, the regaining of her sovereign right in adjusting her own customs tariff is one of the most outstanding. The year 1928 witnessed the revision of many important tariff treaties, for before the year went out, the following countries agreed to recognize China's right to tariff autonomy: U. S. A. (July 25, 1928) Germany (Aug. 17, 1928), Norway (Nov. 12, 1928), Belgium (Nov. 22, 1928), Italy (Nov. 27, 1928), Denmark (Dec. 12, 1928), Netherlands (Dec. 17, 1928), Portugal (Dec. 19, 1928), Great Britain (Dec. 20, 1928), Sweden (Dec. 20, 1928), France (Dec. 22, 1928), and Spain (Dec. 27, 1928). With the ratification of these new treaties, China recovered, in theory at least, complete tariff autonomy. It will be seen that with the solitary exception of our neighbor, Japan, nearly all the countries having important trade relations with China agreed to remove all restrictions then existing and granted China the right to settle her national tariff in such a way as she deemed fit.

The Sino-Japanese Treaty of Commerce and Navigation (1896) and the Supplementary Treaty (1903) expired in 1927. After Dr. C. T. Wang became Foreign Minister of the National Government, he notified Mr. Yoshizawa, the Japanese Minister to China, that he was prepared to enter into prompt negotiations for preliminary treaties based upon the idea that tariff autonomy must be restored to China. Since the Chinese government repeatedly extended the time for negotiating a new treaty, the last extension expiring on July 20, 1928, he requested the Japanese Minister to urge his government to conclude a new treaty in place of the expired one. However, the requests from China had fallen on deaf ears, as the Japanese government procrastinated negotiations with a view of withholding formal acquiescence to recognize China's reciprocal right to tariff autonomy until some other issues nearer to her heart were settled. Pending the negotiation of a new agreement the Chinese government promulgated on Dec. 7, 1928, its new national tariff which went into effect on Feb. 1, 1929, and duties on Japanese imports to China were levied according to this new tariff schedule.

Japan Recognizes New Tariff

The path for a new agreement had been made more easy after the settlement of the Tsinan Incident on March 28, the Nanking Incident on May 2, and the Hankow Incident on the same date, all in the year 1929. However, formal assent was held in abeyance until Jan. 30, 1929, two days before the new Chinese tariff was put into effect, when Japan notified China of her decision to recognize the tariff. On the following July 2, with the formation of Hamaguchi cabinet, Baron Shidehara renewed negotiations with China. Finally, after much procrastination and labor, the Sino-Japanese Tariff Agreement was concluded bettween Dr. C. T. Wang and A. Shigemitsu, Japanese Charge d'Affaires, on May 6, 1930, and came into effect on May 16, 1930. Thus the Sino-Japanese tariff imbroglio came to a close after a long and arduous bargaining. Indeed, this act marked the end of China's long and difficult journey to tariff autonomy.

This agreement is divided into two parts, the agreement proper, which embraces five articles, and four annexes. The former is brief and deals with general principles, whereas the latter are more elaborate and go into greater details. The first two of the annexes are concerned with the tariff itself, while the latter two do not deal with matter within the scope of the tariff matter. Briefly the contents of the agreement are as follows:

Art. 1 provides that all matter relating to rates of duty, etc., in the respective countries shall be regulated exclusively by the laws of the two countries concerned.

Art. 2 deals with the subject of most-favored nation treatment, providing that in custom duties the two sovereign powers reciprocally grant to the nationals of the other country equal treatment as accorded to its own nationals or to the nationals of any other foreign country.

Art. 3 provides that the stipulations contained in the above articles together with the exchanged notes annexed to the agreement shall be incorporated in a Treaty of Commerce and Navigation as soon as possible.

Art. 4 provides that should there be any difference between Chinese, Japanese and English texts of this agreement, the last text shall be held to prevail.

Art. 5 provides that the agreement shall enter into force on May 16, 1930.

The accompanying exchanges of notes, four in number, are more important and elaborate, for they imply the terms that China has to abide by order to obtain full tariff autonomy.

Annex 1 states that for a period of three years the Chinese Government will maintain the present rates of duty leviable on cotton goods, fishery and sea products, and wheat flour; and will also maintain for a period of one year the present rates of duty leviable on miscellaneous goods, as the maximum rates of import duty, reserving, however, the right to increase the tariff rates on cotton goods and most of the fishery products and miscellaneous goods to not over 2½% *ad valorem* over the rates in the present tariff.

In return, the Japanese government promises to maintain for a period of three years the present rates of duty leviable on grass cloth, and to reduce the duty on silk piece goods and embroideries by 30% *ad valorem* on Chinese imports.

Annex 2 provides that reduced rates for imports over the land frontiers betwen China and Japan were to be abolished at the end of four months, after which the regular customs tariff of China was to go into effect.

Annex 3 states that China will take upon herself to abolish as soon as possible all such taxes and charges detrimental to the promotion of trade in China as likin, native customs duties, coast-trade duty and transit dues and other like charges.

Annex 4 contains China's intention of setting aside annually the sum of $5,000,000 (Mex.) from the customs revenues for the purpose of consolidating the domestic and foreign obligations of China, and also its intention to call a conference of the representatives of creditors to present and discuss an adequate plan for consolidation.

A "Booby" Prize

From the above, a very undesirable feature of what was otherwise a satisfactory agreement is the tariff rate restrictions as embodied in the annexes. Although such words as "equal" and reciprocal" are employed, the agreement does by no means go beyond the tariff schedule determined by the Tariff Commission of 1926. The reciprocal tariff as stipulated in the agreement was, in the words of T. V. Soong, "in the nature of a booby prize."

Since the annexes are more or less clothed in technicalities, it is pretty hard for a layman to follow them; but if a careful examination of the details is made, one will not but unmistakably conclude that it is Japan which derives the most benefit out of this arrangement.

By a provision for reciprocal conventional duties covering her principal exports, Japan safeguarded for a period of one to three years her trade with China. This arrangement gives Japan more privilege than its does to China, in view of the fact that the schedule for Japan contains more variety of articles than that for China—the former numbering 62 items out of 718 (8% of total) as compared to only three out of 647 items (0.4% of total). The highest duty for Japanese exports is 17.5% and the lowest 7.5% *ad valorem*, the former covering only three items of articles, but the latter cover two-thirds of Japanese exports. For China, however, her exports of Japan are heavily taxed. Grass cloth, for instance, one of her important outputs shipped primarily to Korea, is taxed at a very high rate, 12%-60% *ad valorem*. Silk piece goods and embroidered tissues are even taxed as high as 70% *ad valorem*, small as the quantity actually exported to Japan is.

Suffice it to say that the benefits Japan derived from this "reciprocal" arrangement are overwhelmingly

tremendous, whereas the benefits China derived are practically negligible. It is beyond doubt that the odds are in the favor of Japan.

A very comprehensive study of the Sino-Japanese conventional tariff based upon statistics of years previous to 1930 was made by Tung Meng-chen*, in which he pointed out that more advantages are accrued from this arrangement by Japan than by China.

According to customs report for years 1926-1928, the ratio between the value of Japanese articles exported to China falling under the categories named in the schedule, and the total of Japanese exports to China can be seen from the following table:

	1926 Hk. Tls.	1927 Hk. Tls.	1928 Hk. Tls.
Imports from Japan (incl. Formosa) governed by annex 1	170,787,701	130,478,516	152,431.257
Total imports from Japan (incl. Formosa)	349,461,700	309,540,537	335,421,586
% of articles governed by annex 1	48.87	42.15	45.44

On the other hand, the ratio for the same period under consideration between the value of Chinese articles exported to Japan falling within the items provided in the schedule, and the total of Chinese exports can be seen from the following table:

	1926 Hk. Tls.	1927 Hk. Tls.	1928 Hk. Tls.
Exports to Japan governed by Annex 1	5,456,784	5,103,652	5,703,201
Total exports to Japan	258,116,450	286,665,089	277,175,374
% of articles governed by annex 1	2.11	1.90	2.06

The ratio between total Chinese imports from foreign countries and Chinese imports from Japan is shown in the following table:

	1926 Hk. Tls.	1927 Hk. Tls.	1928 Hk. Tls.
Total imports from foreign countries	1,144,646,971	1,034,030,490	1,210,001,728
Imports from Japan	349,461,700	309,540,537	335,421,586
% of imports from Japan	30.53	29.94	27.72

The ratio between total Chinese exports to foreign countries and Chinese exports to Japan is shown in the following table:

	1926 Hk. Tls.	1927 Hk. Tls.	1928 Hk. Tls.
Total exports to foreign countries	864,294,771	918,619,662	991,354,988
Exports to Japan	258,116,450	268,665,089	277,175,374
% of exports to Japan	29.86	29.25	27.96

Based upon the above tables for three consecutive years it will be clear that among Chinese imports from Japan an average of 45.49% of articles were limited by annex 1 as to the maximum rates of import duty China could levy, but for Chinese exports to Japan only an average of 2.02% of articles were limited by annex 1 as to the maximum rates of duty to be imposed. In other words, China had a free hand to levy taxes on only 54.51% of the total value of imports from Japan, while Japan had a free hand to levy taxes on 97.91% of the total value of exports from China. Moreover, nearly 30% of Chinese foreign trade for the period under consideration, both in imports and exports, was with Japan. Even in face of the boycott, imports from Japan in 1931 valued at 290,187,000 Hk. Tls., or 20.04% of China's import trade. In 1932 the total import value fell to 148,432,000 Hk. Tls., or 13.95% of the total. In spite of the decrease, the figure is nevertheless appaling. The tremendous loss China has been suffering from the binding terms can be well envisaged. What anomalous and contradictory "quality" and "reciprocity"! It can be concluded that this arrangement is by no means fair and is unequivocally lateral at the expense of China. Furthermore, the stipulations contained in the annexes appear all the more out of equilibrium if we take into consideration the fact that China's exports consist mainly of raw materials and hand-made goods, while Japan's exports consist entirely of manufactured goods. Cotton goods under category 1 include 33 items in Chinese customs import tariff of 1929. China is practically the sole market for these products. The low tariff which China is now levying on these articles greatly retards the development of Chinese manufactured cotton products, since most of the goods on which the conventional rates apply come into severe competition with goods produced in China. As we all know, the boycott of Japanese goods has not been wholly satisfactory, for Japan, taking advantage of the low tariff China levies, is fighting the Chinese boycott with her weapon of dumping. Many Chinese are still buying Japanese goods unwittingly, as they have been cleverly relabelled. The fact that the Chinese textile industry as well as other industries are lagging woefully behind can be partially explained by the restrictions set forth in the agreement. With it expired, the Chinese government can make profitable use of the tariff to make dumping impossible.

Fortunately, the agreement is due to expire automatically on May 16th of this year. Although our none too friendly neighbor, being intensely absorbed in her conquest and aggrandizement dreams, has not as yet approached China for a renewal of the agreement, it has been reported that Japan would like to have it extended to seven years. In view of the fact that it is inimical to the welfare of China and is a serious handicap to the development of Chinese industry, commercial and industrial bodies have urged the government to announce its nullity upon its expiration. That its renewal could be countenanced by the Chinese people is hardly thinkable. T. V. Soong, Minister of Finance, on his recent visit to Peiping, told the pressmen there that in the interests of China trade, a new similar annex will not be negotiated. With this lapsed, China would be free to place any tariff on the articles hitherto governed by it.

The *Statistical Monthly* (Chinese), May, 1930.

China Finance Corporation Shows Deficit for Year

Presiding at the annual general meeting of shareholders in the China Finance Corporation, Fed., Inc., in Shanghai March 13, F. J. Schuhl mentioned that although the balance sheet as audited by Haskins & Sells disclosed a deficit for the year of Tls. 3,901.84 there was an increase in the reserves of Tls. 187,000 over that of last year after deducting the sum of Tls. 110,000, which was paid out as dividend in March 1932. The operating income was slightly over Tls. 300,000. The directors had considered it advisable to write off bad and doubtful accounts to the extent of over Tls. 163,000.

It was intimated that an advisory committee of three would be appointed in the course of the next few weeks to consist of "prominent and experienced business men." Mr. Schuhl said the board had in mind the building of ample reserves to cover all contingencies, and intended to operate on a conservative and sound basis.

Agreement With Foreign Cable Companies Not Yet Signed

In connection with the recent demand of the Nanking Government that the three foreign cable companies should sign a new agreement, a Nanking message states that the cable companies have requested the Chinese Government to postpone taking over the delivery and acceptance offices until they take over the same function from any other foreign communications organization in China. While the Ministry of Communications is still insisting upon carrying out this step, it is understood that Dr. Chu Chia-hua, Minister of Communications, in a recent interview with the representatives at Nanking of the American, British and Danish governments, assured them that he would carefully refrain from anything liable to interfere with the companies' business.

The Stupendous Japanese Budget for 1933

(Rengo telegram from Tokyo, March 11)

If the supplementary budget amounting to 64,000,000 yen were approved, the grand total of the Japanese budget, together with the ordinary estimates already passed by both Houses, will reach the staggering figure of some 2,331,000,000 yen, the first of its kind in Japanese history. Against this, the deficit in revenue will be made up by issuing bonds to the value of 1,005,450,000 yen, including the 987,950,000 yen already decided, and the rest, representing the supplementary budget, to be covered by new bond issues. Besides these, annuity bonds, which are given out instead of cash, have greatly increased as a result of the Manchurian and Shanghai Incidents.

Japanese Coins to Be Melted for Use as Bullet Casings

The Japanese Parliament will shortly adopt a bill changing the content of the Empire's small coinage from 20 per cent. nickel and 80 per cent. copper to approximately 100 per cent. nickel to be bought from American and Canadian interests. The present small coinage is being withdrawn and will be melted down to use in casing rifle bullets for the armies of Manchukuo.

Chinese Government Railways

Shanghai-Nanking and Shanghai-Hangchow-Ningpo Lines

From Shanghai to Nanking: 311.04 Kilometers

From Shanghai to Hangchow: 189.57 Kilometers

The Shanghai-Nanking Line extends from Shanghai, one of the greatest seaports in the world, to Nanking, the seat of the Nationalist Government of China. Short as it is when compared with the other trunk Lines in China, it serves a rich and densely populated district of preponderant importance, politically, as well as commercially and industrially. The whole Line is dotted over with points of known scenic beauty too numerous to be all mentioned here. Tourists and travellers should utilize the train service of this Line at least to visit Soochow, known as the "Garden City of the Orient," Wusih, the picturesque city on Lake Tai-hu, Chinkiang, the "Gate of the Yangtze River," and Nanking, a city rich in historic remains with the new grand Mausoleum of modern architecture for Dr. Sun Yat Sen, Founder of the Chinese Republic.

The Shanghai-Hangchow-Ningpo Line runs southwestward from Shanghai through a tract of beautiful places. At Lunghwa one will see the famous Pagoda with a long history attached to it; at Sungkiang, the observatory of the French Fathers at the summit of Sha Shan and the grave of General Frederick Ward; at Kashing, the South Lake and the Three Pagodas situated about two miles from the station; and at Hangchow, the present terminus of the Line from Shanghai, the renowned West Lake which called forth highest praise from Marco Polo, with such picturesque surroundings that it has been well called the "Switzerland of China." Tourists! A visit to Hangchow by the comfortable trains of this Line will give you the utmost satisfaction of travel and untold pleasure of sight-seeing.

For further information apply to the Traffic Manager of the two Lines at Shanghai North Station.

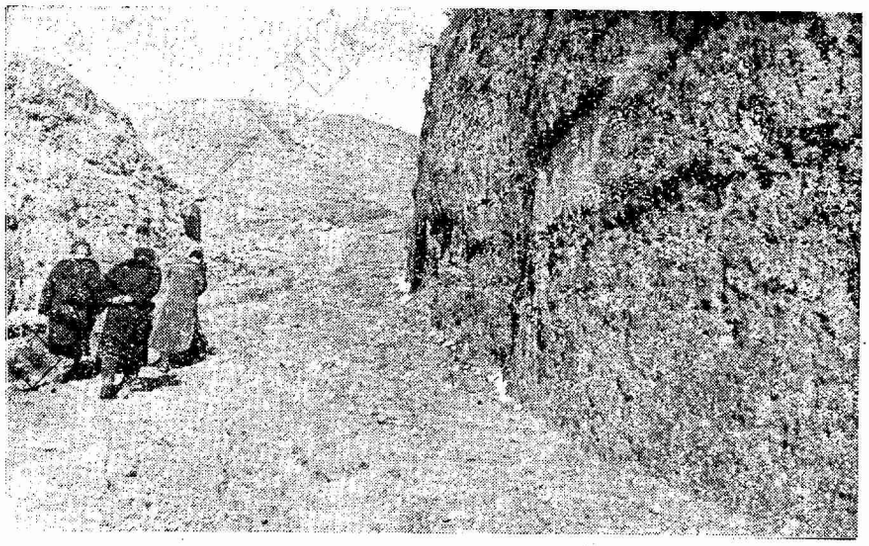
64-117

NARROW CONGESTED PASSES, MOUNTAINS AND

Typical traffic jam in one of the narrow passes, which accounted partially at least for the Chinese defeat. The motor cars carried officials on an inspection trip. In many places the roads are so narrow that it is necessary to lift carts out of the road to enable motor cars and trucks to pass.

Representatives of the Tientsin "People's Committee" visiting the Jehol front. The officer marked with a triangle is Gen. Ho Chu-kuo, defender of Shanhaikwan, while the one marked with a circle is Yang Po-ling, well-known engineer of Tientsin who was a leader in sending supplies to the Jehol front.

The Chinese soldiers in this picture were responsible for the strong resistance which the Chinese Army finally put up at Kupeikow Pass, some 70-miles north of Peiping.



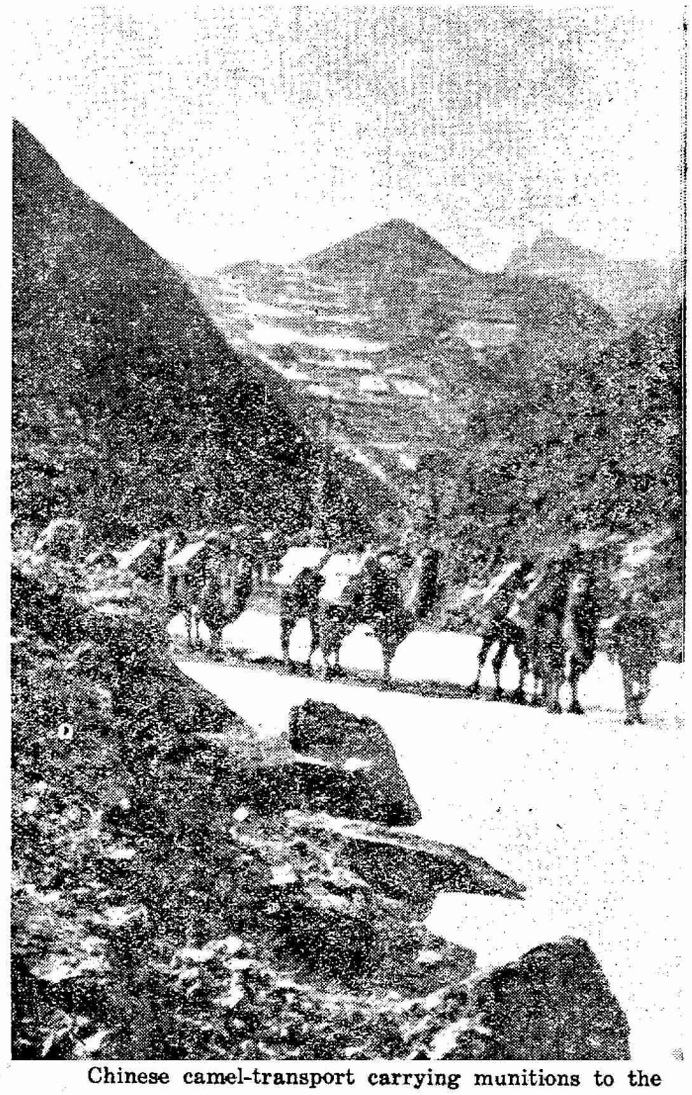
One of the narrow steep passes on the road between Kupeikow and Jehol City (Chengteh). The figures in the picture include T. V. Soong (left) and Chang Hsueh-liang (right) on their recent trip to Jehol to inspect conditions.

Entrance to Gen. Tang Yu-lin's head
teh) as it appeared a few days prior to
city.

64-118

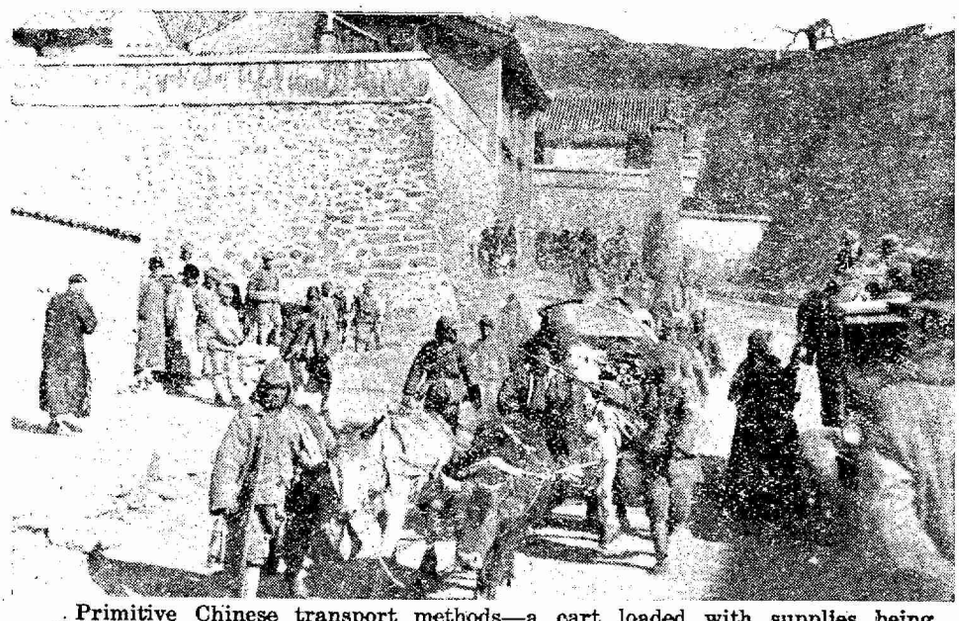
ANCIENT WALLS CHARACTERIZE JEHOL TERRAIN

This stone elephant sits serenely at the Vatala and near him is Father Cavaro, host to travelers who pass through Jehol. Since Jehol was for many years the summer capital of the Manchus, the province particularly in the vicinity of Jehol City (Chengteh) contains innumerable monuments, temples and ancient palaces.



Chinese camel-transport carrying munitions to the Chinese front in Jehol. This road near Jehol City (Chengteh) follows the frozen bed of a river. Despite his imperfections in other regards, Gen. Tang Yu-lin did give Jehol a good system of roads—which facilitated the Japanese advance with their fleets of speedy American motor-trucks.

uarters at Jehol City (Chengthe Japanese occupation of the



Primitive Chinese transport methods—a cart loaded with supplies being pulled by a horse, a donkey and a bullock—passing through the Great Wall at Kupeikow. The Japanese used modern motor-trucks in their military transport.

Japanese Turn Eyes on Dutch Indies

BY HOLLINGTON K. TONG

(China Press, Shanghai, March 12)

PRESS telegrams from Europe during the last three days indicate plainly that before she has consolidated her territorial conquest in Manchuria Japan is turning her covetous eyes towards the Dutch East Indies and that before raw materials on the mainland of Asia are insured, she is seeking petroleum resources in Borneo for her naval use and arranging to send Japanese emigrants to Dutch New Guinea for colonization. All this was learned from Mr. Matsuoka, chief Japanese delegate to the League of Nations.

Arriving at The Hague on March 6, Mr. Matsuoka gave out a statement the following day in which he emphasized Japan's interest in opening the countries bordering on the Pacific, her welcome of the cooperation of The Netherlands and the Dutch East Indies and the desirability of Japanese immigration to Dutch New Guinea. Fearing misunderstandings, he added as an after-thought that the purpose of his visit was to convince the Netherlands of Japan's peaceful intentions. Simultaneously it was announced in the press that the recent breakdown of negotiations for a non-aggression pact, which Japan offered to Holland in return for "concessions" in Dutch New Guinea, (situated off North Australian Coast) was due to the disclosure of Japanese plans for a system of disguised air bases in the Dutch East Indies on the route from Formosa to Australia.

Militia Mobilized

The day after Mr. Matsuoka's arrival at The Hague there was circulated a sensational report that the government of the Dutch East Indies has, in view of the tense situation in the Far East, ordered the mobilization of the militia in Borneo as a precautionary measure for the protection of the island's seaports. The Hague press, in publishing this sensational report, called attention—rather significantly—to the fact that Borneo, according to the belief of experts, would eventually become the principal oil-producing country of the Far East. At any rate the relations between Japan and Holland immediately went from bad to worse, and the British government presumably was alarmed. The Japanese Embassy in London thought it advisable to issue on March 3 a categorical denial of the suggestion that Japan was planning secret air bases in the Dutch East Indies, and in the denial to correct the general impression that Mr. Matsuoka had any diplomatic mission other than the one to Geneva.

Despite the Japanese Embassy's denial of the authenticity of the news, Great Britain and the United States, two countries which have tremendous interests in the Pacific Ocean, would find it more difficult to forget the significance of what had inadvertently been revealed. The Japanese proposals to have airbases in and secure petroleum supplies from the East Indies and to send emigrants to New Guinea, if agreed to by the Netherlands government, and carried out, would constitute a serious menace to the Philippine Islands, Australia, Singapore and Hongkong. Incidentally they disclose Japan's extraordinary ambition to expand southward.

Cover Large Area

Encouraged by the easy conquest of 360,000 square miles of Chinese territory, the Japanese general staff may see no reason why it should not seize 730,000 square miles of land from a country which is less capable of defense. The Dutch East Indies which Japan now covets comprise the islands of Java and Madura, the island of Sumatra, the Riouw-Lingga Archipelago, the islands of Bangha and Billton, part of the island of Borneo, Celebes Island, the Molucca Islands, part of New Guinea, part of Timor Island, and the islands of Bali and Lombok, with an area twice the size of Fengtien, Kirin and Heilungkiang combined, which have been wrested from China by Japan.

For the purpose of defense in the East Indies there is a colonial army of 1,300 officers and 40,000 men. Those islands with a population of 53,000,000 are ruled by a governor-general who concurrently acts as commander-in-chief of the Dutch naval force in East Indian waters. The Dutch navy is rather small, consisting of 2 light cruisers of 6,930 tons each, 4 coast defense ships, 11 destroyers, 14 torpedo boats, and 29 submarines. Most of these vessels are assigned for service to Far Eastern waters. There is a naval air service which is of the utmost importance in this conglomeration of islands with long stretches of ocean between them. For long distance reconnaissance, large flyingboats, twin-engined, are used.

Fear Japan

The inadequacy of the Dutch navy for colonial defense, only 64,000 tons, and the limited area, 12,000 square miles, and comparatively small population, 7,000,000, of the Netherlands, are a strong temptation to Japan. Dutch residents in the Far East are well aware of the fear that at a moment when the leading powers in the world are too much occupied with their own affairs or are too deeply entangled in European politics Japan may enroach upon the Indian archipelago irrespective of consequences even as she has acquired Manchuria by force of arms.

From the economic viewpoint, the Dutch East Indies are certainly alluring to Japanese. Their soil is fertile. Such products as sugar, tobacco, tea, coffee, tin and rubber are exactly what Japan needs. The climate is warm. The native population can be easily exploited with much benefit to herself. Being an island people the Japanese would find themselves more at home in the Indian archipelago than in Manchuria, which is too cold a place for them. Prior to Japan's conquest of the Three Eastern Provinces, the Japanese "inspired" press was filled with editorials urging them to emigrate to those Pacific islands. Its later silence on the advisability of Japanese southward migration is influenced by a desire to supply no loophole for the argument that Tokyo has advanced—an overcrowded Japan must seek an outlet for her surplus population in Manchuria.

Desire Oil Concessions

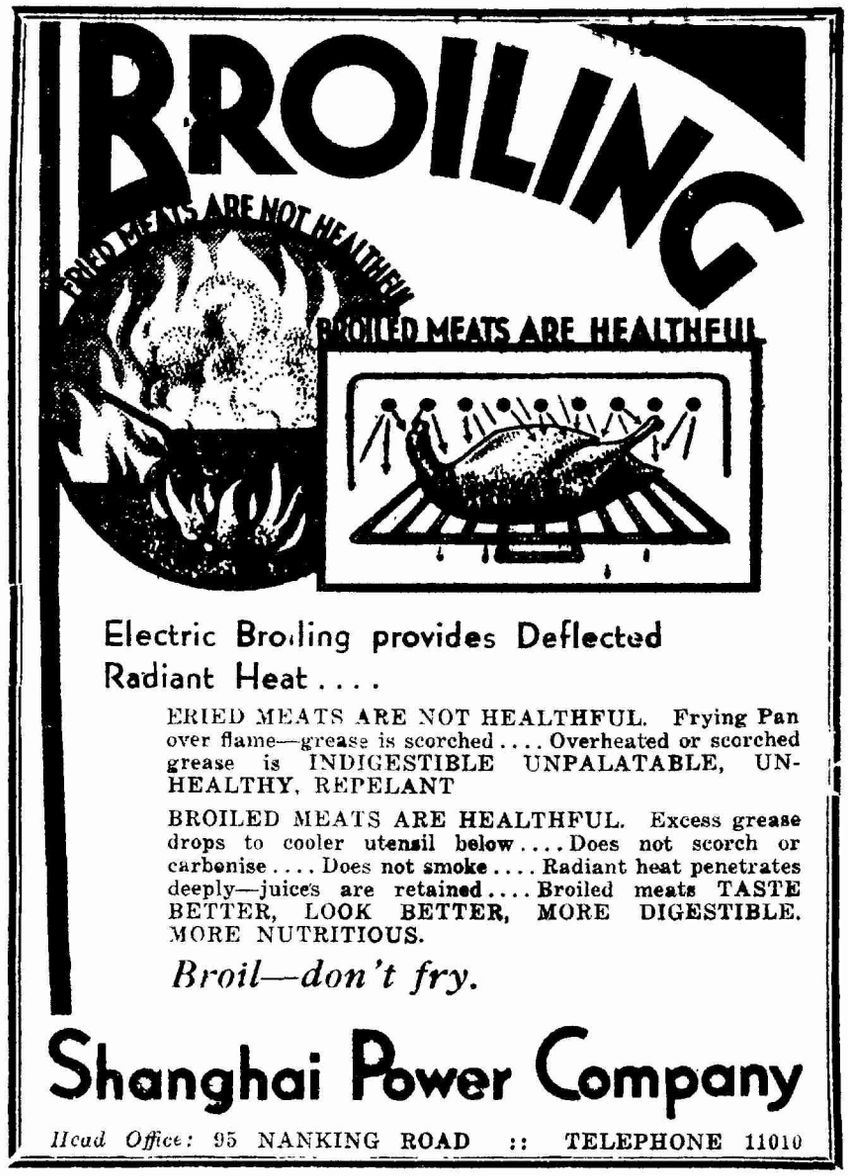
But the strategic reasons are more dominant in Japan's design to get a foothold in the Netherlands East Indies. New Guinea and Borneo are known to contain rich petroleum resources. In the event of a war with the United States, Japan must secure petroleum elsewhere for her navy. If she could get an oil concession in the Dutch East Indies, she would have no worry about this essential item for the navy. Like the earthquake in 1923, the recent one in North Japan is said to have damaged the reservoirs for the storage of oil built at the foot of mountains along the sea coast. This loss of the reserve supply of oil for the navy would undoubtedly prompt the Japanese government to seek a petroleum concession without delay in view of the possibility that the world may challenge her bellicose policy.

What is of greater importance to Japan than an oil concession is the naval strategic location of the Netherlands East Indies, particularly Sumatra and Java, which are situated just off the main shipping route from European countries to East Asia and so command the eastward approach to that section. Likewise Celebes and Dutch Borneo are of strategic importance. If they should fall into Japanese possession, America's position in the Philippines would become extremely precarious. Japan's possession of either Java or Sumatra would threaten the security of Malaya and Northern Australia as well. The Japanese intention of emigration to New Guinea, as disclosed by Mr. Matsuoka, must have considerably alarmed Australia.

Would Britain Aid?

The helplessness of the League of Nations and of the great powers like Great Britain and the United States to make Japan a law-abiding member state tends to confirm her belief that as long as the interests of these great powers themselves are not injured she can easily get away with her booty. It is true enough that a change of ownership of some of these islands under Dutch control would disturb the balance of power in the Pacific and other powers might interfere, but is it not true that the country most interested in the maintenance of the status quo in that part of the world—Great Britain—has given evidence that her fear of Japan's prowess is so great that she might not dare to thwart her expansionist policy even when her own interests are indirectly threatened? Has not Winston Churchill urged his government to keep its hands off Far Eastern affairs?

Some Dutch residents in Shanghai with whom I discussed the possibility of Japanese encroachment upon their colonies frankly expressed their fear that with the British government pursuing a very cautious policy to-



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wards Japan their reliance upon Great Britain for assistance in the event of an Asiatic power invading their colonies might be in vain. If Japan should demand certain concessions and back the demand with a fleet, would Great Britain go to war with her?

Colony Would Be Lost

The Dutch government's object in the maintenance of a small navy comprising some very fast vessels, is, if an enemy should attack its colonies, to keep him at bay until the arrival of a powerful navy, from, say, Great Britain, to save the situation. It is now doubtful whether such British assistance would be forthcoming if so powerful a naval power as Japan should prove an aggressor. The fact that the naval base at Singapore has not yet been completed increases the belief of some Hollanders that, if the Japanese general staff should order an attack, their colonies, like Manchuria, would be lost in a short time.

What a great calamity it would be to the Netherlands if her East Indies were occupied by Japan is eloquently set forth in an article written years ago by a Dutch naval officer. In this article he said: "The loss of our Indian colonies would be a veritable catastrophe; it would wreck our economic life and reduce us to a mere appanage of the German Empire. The retention of the East Indies is thus unquestionably one of the main foundations, not merely of Holland's prosperity, but of her existence as an independent state." What does Japan care about all this if she can effect a hegemony of Asia and become the most powerful nation in the world? Is it not, however, too early for Mr. Matsuoka to let the cat out of the bag?

Shanghai Ricsha Coolies Want Rent Reduced

The Chinese newspapers state that the Shanghai ricsha coolies are now complaining against the high rent they pay for their ricshas which is now fourteen ten-cent pieces daily. They think this too high and want it reduced to ninety cents a day. However, all efforts at direct negotiations with the ricsha owners have failed and the coolies are now appealing to the Social Affairs Department of the Municipal Government of Greater Shanghai for intervention. It is understood that the ricsha coolies have formed a committee in connection with the rent-reduction movement.

Ten-Year-Plan for Manchukuo

The Manchukuo Government at an Administrative Council meeting at Changchun (Hsinking) last week decided on the appointment of a finance commission, fixing the outlines of the economic construction of the new State, particularly with regard to finance, taxation, and the system of accounts. The scheme as evolved by the Manchukuo Government is a gigantic one, visualizing a ten-year-plan for Manchukuo's development.

Manchukuo Planning to Create Gold Reserve

Reports from Changchun state that the Manchukuo Government has under consideration a project for creating a gold reserve, with the ultimate object of changing over from the present silver currency to a gold standard. In order to start this gold reserve fund it is proposed to retain one-half of the salaries of all Government servants for the month of March.

The Abolition of the Tael

BY E. KANN*

THE Government has decided that the century-old tael is to be abolished. This resolution has been taken notwithstanding the fact that the tael has been born without official sanction. More still,—the authorties never have given official recognition to the monetary tael, they have never controlled its manufacture, its weight or its fineness.

Of course, the Chinese Government had to have dealings in taels as long as it lacked its own silver coins. Dollar pieces did indeed circulate in this country already in the 16th century, and perhaps even somewhat earlier; but these were of foreign manufacture and therefore not within the control of the authorities. Until about thirty years ago dollar coins were accepted in China in the majority of cases, especially for wholesale transactions, by weight only. Since that time, however, the country began to produce its own dollar coins, namely at Canton under the late Viceroy Chang Chi-tung. In the course of the first fifteen years about 300 million dragon dollars were minted in China. The next fifteen years, however, showed better results, for the striking of Republican silver dollars resulted in the production of more than 1,400 millions. To-day the quantity of silver dollars in circulation throughout China and her dependencies exceeds 1,700,000,000, of which less than 5 per cent are of foreign origin.

On the other hand, the quantity of sycee taels in the hands of banks in China is certainly not reaching the 200 million mark. This means that, roughly speaking the circulation (or reserves) of major silver money, not counting subsidiary coins, shows a proportion of about 90 per centum for dollar coins and only 10 per centum of sycee taels. Many years ago, the relation was vice-versa. A distinct change has occurred during recent decades resulting in the domination of the silver dollar as the unit of currency. This change came automatically and was brought about merely by the flow of events without government interference. In other words the tael has been dying a slow death, it had been abolishing itself.

The Story of the Tael

As the tael is being buried, this is an appropriate occasion to peep into the intricacies of its past. First of all let us recall that the word "tael" is not of Chinese origin. It is derived either from the Malayan weight 'Tahil,' or else from the Indian weight 'Tola.' The Chinese term for the monetary tael is "liang yindze," ounce of silver (兩銀子). The etymology of the term 'Sycee' also can only be guessed. It is probably derived from the Cantonese pronunciation of the word "Si-soi" (細絲), meaning fine silk, owing probably to the fine silky lines which are to be found on the upper surface of every shoe of sycee. The ingots are usually styled 'shoe," but in reality they are not similar to a shoe, but much more to a primitive boat.

The composition of and the accounting for the sycee tael are probably amongst the most difficult monetary problems to explain. Such an elucidation requires close study and strong concentration. The story cannot be told in brief, and for a lengthy explanation I have not enough space at my disposal in this essay. Those sufficiently interested in the subject are referred to my book,* and especially to Chapter II. There the story of the tael is related in full. The chapter represents probably the most exhaustive story told in connection with the elucidation of the tael's structure and deeper meaning.

When the first sycee tael began to assume its functions as money is difficult to ascertain. The first silver "shoes" have probably been manufactured by the Mongol emperor Kublai Khan who ruled from A.D. 1260 to 1295. This period coincides with the end of the Sung dynasty in China.

In the course of the many centuries passed since then the silver tael has undergone comparatively few changes. Its speaks well for its existence that it has been able to survive such a long period during which it has served most useful purposes.

(*) "The Currencies of China" by E. Kann, 2nd edition, 1927.

**Editor's Note:—This article by Mr. Kann, well-known authority on currency and finance matters in China, has also been published in "Inspection and Commerce," a monthly journal issued under the auspices of the Ministry of Industries.*

Having rendered such signal services to the country, —why is the tael being abolished? Simply, because it is not adaptable to modern conditions and to modern needs. There never was one uniform tael current in China. Their number is legion—easily 250 different taels having been in use in various trade centers and not infrequently two or more differing species in one and the same city (Peking, for instance). One cannot find two tael shoes which are of the same weight or the same value. One can hardly find a shoe of sycee that represents a round tael amount. Every one is of varying weight, different fineness and of variable value. Nowadays one finds sycee shoes of a value of at least 50 taels; there are no subdivisions below this figure available, a factor which makes the currency clumsy and unfit for circulation.

District after district has abandoned the tael as currency and adopted instead the silver dollar. This development came about by itself and without Government interference. Both Peking and Tientsin experienced serious troubles with sycee manufactured in the North. The silver proved to be adulterated and was below the value it purported to represent. Slowly but surely the sycee tael was abandoned in favor of the silver dollar. A similar fate threatened to befall the Shanghai tael, for at the end of 1931 local banks held only 50 million odd taels in sycee against simultaneous stocks of about 170 million silver dollars. The sycee was gradually but surely eaten up by the mint at Hangchow which seemed determined to convert it all into dollars. Then came the Japanese bombardment of Chapei with all its consequences to the financial position of Shanghai. Matters took such a turn as to enable the privately owned smelting shops (爐房) to melt down a considerable quantity of old dollars, adding thereby to Shanghai's sycee stocks which latter have since grown to about 150 million taels.

Monetary Reform

On various occasions it has been resolved to do away with the clumsy sycee tael. The first strong impetus came from the foreign bankers at Shanghai. That body approached the Chinese Government already in 1920 with the request to abolish the tael and replace it by a uniform dollar.* These recommendations were supported by the Shanghai Bankers Association *i.e.* by the chiefs of the modern Chinese banks.

At that time the Central Government lacked the power to control the provinces and the mints situated there. The movement resulted, however, in the erection of the mint at Shanghai, the largest establishment of its kind in the world. It is intended to replace the many minting plants in China and to function as the sole purveyor of modern coins.

To-day the total amount of taels in the shape of sycee kept in the vaults of banks in China is estimated by myself not to exceed 200 million taels, of which three-fourths is being held in Shanghai. The remainder can be found in Tientsin and Hankow. All other places have divorced themselves from the tael.

The abolition of the tael does not mean that the comparatively unimportant stocks of shoes are melted up and converted into dollars. This procedure would be rather simple. Much more is involved. Sycee, when gone forever, must be replaced by something that is better. Its place is to be taken by the new uniform dollar.

As I have already pointed out, there ought to be about 1,700,000,000 silver dollars now in circulation with China-Manchuria-Mongolia. These represent a conglomeration of many species of silver-dollars, foreign, imperial and republican. Not only do these groups of coins differ from one another as to design, weight and fineness, but the individual coins of one and the same class show noteworthy deviations from the essentials fixed by law. I shall go a step further: the last coinage law of 1914 is itself full of ambiguities, so that it is not capable of serving as a sound basis for coinage.

These bare facts will clearly show that, unless real monetary reform accompanies the abolition of the tael, the project would be a failure from the start. To add a new dollar to the many irregular species already in existence would do more harm than good. Therefore it has been decided to turn out a new dollar coin of uniform weight and fineness. The new coin is being produced from sycee, from newly imported bar silver and from

(*) Vide "The Currencies of China" by E. Kann, 2nd edition pp. 522/531.

existing old dollars. The latter are being collected, melted down and reborn in the shape of the new uniform national dollar.

The Consequences of the Reform

Foreign countries, when on a gold basis, produce gold coins at a rather heavy cost. Nevertheless the value of the gold contained in the coin can always been recovered when either sold abroad or when melted down. In other words, the Government has to pay for the cost of minting. However, the authorities are amply indemnified by the seigniorage they obtain from the striking of subsidiary silver and nickel coins. There the profits are enormous.

China is on a silver standard. But the Chinese people insist that not only should their major coins be of full value, but also their subsidiary coinage. Since the latter are about 20 per cent inferior in fineness the public concedes acceptance of silver token coins only on the basis of a 20 per cent discount. Seemingly this is an injustice to the Government. The latter, under the prevailing circumstances just described, is prevented from deriving a legitimate income from coining. Therefore it has only one exit out of the dilemma, namely to charge the actual cost of minting to the public. Needless to say the result of the accounting culminates in a reduction of either weight or fineness, or both, when transforming the old coins into new ones. There is no other way left open. In passing it might be pointed out that the private smelting shops, when making sycee from bar silver, also exact their dues from the public by adding so much copper to the originally finer bar silver as will pay for their and their workmen's living.

Thus the new dollar contains fine silver of a weight which will make it a full value coin, minus the cost of minting which has been fixed at 2¼ per cent.

An official rate of exchange has been fixed by the Government for converting dollars into taels, namely Tls. 71.50 for 100 dollars. The value of fine silver contained in the national dollar is Tls. 69.92305, and the cost of minting (2¼ per cent), viz., 1.57326 taels. I am thinking of a dollar which is to be 0.880 fine (present Republican $ fineness is 0.890) and of a gross weight of 26.6971 grammes.

The problem is naturally connected with a mass of technicalities which it is not intended to unravel here. I have had occasion to deal with the same subject from somewhat different angles. Those of my readers that are sufficiently interested in the subject are referred to my essays published in the local Weekly *"Finance & Commerce"* of July 13, 20, 27, August 3, 1932, and January 4, 1933.

Final Remarks

The abolition of the tael pre-supposes the closing of all of China's silver mints and the opening of the Shanghai mint for the coinage of the new national dollar. It is considered certain that, as soon as the dollar rules as the sole currency unit, a modern clearing house will be able to function at Shanghai. It is further assumed that we shall have then a regular discount market here.

Not only is the circulation of silver dollars now in a ratio to taels of 9 to 1, but for years past there has been a tendency to make official use of the dollar instead of the tael. Government bonds to the extent of over 1 billion have always been floated in dollars. Railway fares are everywhere collected in dolllars. Almost all the Chinese modern banks have their capital in dollars and their accounts kept in the same currency.

The foreign banks and the foreign business community appear to have no objections to the new scheme, provided that there are guaranties that the new dollar will be reliably of a uniform weight and of an unvarying fineness. As this proviso coincides with the intentions and the aims of the Ministry of Finance, it can easily be met. Apart from the engagement for the Shanghai mint of foreign skilled engineers and mint chemists, the authorities intend to appoint a supervisory and advisory committee from amongst foreign and Chinese financial circles, so as to safeguard the wishes of the business community and the general public.

Before closing I should like to emphasise the necessity of maintaining free coinage. Anybody will be entitled to hand to the mint silver of a fineness of not less than 0.880 and receive in exchange minted dollars for the exact equivalent, less 2¼ per cent coinage fees. The import and outflow of silver must be permitted unhindered in order to make the new project a success.

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British Court Upholds Council in Luna Park Case

The long drawn out action in the British Supreme Court, Shanghai, brought by the Greyhound Racing Association (Luna Park), against Capt. R. M. J. Martin, ex-Police Commissioner, came to an end March 9 when the jury, after one hour's deliberation, decided that no damages were recoverable from him. Replying to written questions, the jury found, among other things, that Capt. Martin acted in the bona fide belief that he was executing the Land Regulations, that he had reasonable grounds for such belief, that the activities of the club were prejudicial to the good order and government of the Settlement and constituted a public nuisance, and that although plaintiffs' reversion was injured no damages were recoverable.

In the course of his address to the jury, Judge Sir Peter Grain, said he was really without authority to say what are the powers of the Council, so it appeared that he had to get down to commonsense and decide what the powers of said body are. After mentioning that the Land Regulations, which form part of the Order-in-Council, state that it is necessary for the Council to perform everything for the good order and government of the Settlement, the Court stated that under the bye-laws which the Council were empowered to make they had power to suppress a public nuisance. They are entrusted, it is their duty and they have been entrusted with power to establish a police force. There was no doubt that the action they did take did effectually close up the Luna Park. They prevented the general public from entering the Luna Park. The Council had advised plaintiffs that pari-mutuels were illegal and wrote and told them so. The Council, the Court said, had been generous in this connection and the opinion of the Crown Advocate regarding the illegality of the thing had proved to be correct. The Council had given them due warning and assisted them in closing down. They were allowed to carry on for a certain time without a license. Having sent a letter, Capt. Martin went to see the chairman of the two greyhound race courses. He saw Hugh Martin, chairman of one course, who at once agreed to close up. He went to see Mr. McBain of the Luna Park track, who gave him a somewhat curious answer that they could not shut down, that they had an agreement with the electric hare people and that they would have to go on, until they were stopped.

After remarking that it would have been interesting to have heard Mr. McBain explain what he meant by that, the Court referred to the club as a huge gambling concern operating on a very large scale and without a license and frequented by 3,000, 4,000 or 5,000 persons a night. Mr. Buyers, one of the witnesses, had said that most of its profits were derived from pari-mutuels and that its activities were objected to by the Chinese, Japanese and British authorities. Continuing, the Court said: "The Council had to decide how to stop the nuisance as soon as possible. I cannot find the Council had no power to order their police to have taken the action they did. They had responsibility for the good order of the Settlement in their hands. They took action without any violence, but by peaceful means. Under all those circumstances and with very little to assist me, and as I said, I have to decide this point from common sense I find they had authority to take the course they did in preventing this huge gambling center from continuing to be a public nuisance in this Settlement."

The action was an aftermath of the barricading of the Luna Park greyhound racing resort by the Municipal police on the evening of April 4, 1931, on which day greyhound racing in the International Settlement came to an end.

The senior British newspaper, the *North-China Daily News*, in an editorial referring to the charge in certain British quarters that the Council's actions were influenced by political considerations, commented: "A partisan prejudice had thrown a smoke-screen over the controversy with the stubborn belief that there was, on the Council's part, a reckless desire to pander to Chinese sentiment in disregard of vested interests. This obscurantism is, unhappily, no new feature of certain forms of vocal foreign opinion in Shanghai. It is to be hoped that the disclosures now made, in conjunction with the firm verdict of the jury, will teach a lesson from which profit in the future may be derived."

A "British Residents Association Member" wrote to the Shanghai daily press in connection with the case suggesting that a resolution embodying a note of complete confidence in the Council as to the way it handled this matter should be brought forward at the next Ratepayers meeting.

French Dog-Gambling Resort Not Closed

When the British authorities of the International Settlement closed the British registered dog-gambling resorts referred to in the foregoing, it was expected the French would take similar action with respect to the Canidrome, a French registered resort located in the local French Concession. The French authorities, however, refused to take action and their resort has continued. The French Concession authorities also permitted another instituion known as Hai-Alai to open, gambling also being the chief feature.

There are now three commercialized gambling institutions running openly in Shanghai, the Canidrome dog track, Hai-Alai, and Hinds and Barr, the last-named being a British concern which is listed in the local directory as "turf accountants and commission agents." Hinds and Barr were convicted in the local British Court recently for violating the law against gambling and were warned against a continuance of the practice. However, the firm is still operating.

Colonel Fred C. Kilgore Takes Command of Fourth Marines

Colonel Fred C. Kilgore arrived in Shanghai March 13, on the Dollar liner *President Hayes* to take over command of the Fourth Regiment U. S. Marines stationed here. The first to greet him on his arrival was Colonel E. P. Moses, who has been acting commander since the death of Colonel Richard S. Hooker on Christmas Eve. A guard of honor was drawn up on the Bund under command of Lieut-Colonel W. C. Powers and the Regimental Band furnished appropriate music. Colonel Kilgore took over formal command the following day. Colonel Kilgore came here from the United States, where he has been serving as chief of staff to Major General Logan Feland, head of the Department of the Pacific, in San Francisco. He had previously seen several years of service in Shanghai.

Beside serving as executive officer of the Fourth Marines after his arrival with the Marines in 1927, he was also in command between the following dates: September 5, 1927 to October 6, 1927; January 16, 1928 to March 22, 1928; August 26, 1928 to September 6, 1928, and September 27, 1928 to January 13, 1929, after which date he relinquished his command to Colonel C. H. Lyman. It was while Colonel Kilgore was in command that the *Walla Walla* magazine was started and the Fourth Marines Church organized. Colonel Kilgore was born in New York State in 1892, and was commissioned from that state. He has seen 13 years foreign and sea service with the United States marines.

Colonel Kilgore was accompanied by his wife. They will reside at the Cathay Mansions.

Aviation Routes Being Extended in Eastern Siberia

A recent *Tass* message from Irkutsk mentions that civil aviation in Eastern Siberia was started in 1926, when the Verkhneudinsk-Ulan-Bator air-line was established. At present there are three mail and passenger lines in said region, namely, the Irkutsk-Kraznoyarsk. Irkutsk-Yakutsk and the Verkhneudinsk-Ulan-Bator. The total length of the Eastern Siberian air routes is now 7,615 kilometers as compared with 540 kilometers in 1926. A considerable extension of the routes and the greater employment of aviation for combatting field pests and surveying forests etc., is planned for this year.

Japanese Exports of Cotton Cloth Gaining on British

According to the Export Cotton and Cloth Traders' Association, Osaka, Japanese cloth exports for 1932 were 2,032,770,000 yards, British cloth exports for the same period 2,188,430,000 yards, showing an advantage of 155,560,000 yards in favor of the latter. The difference between the two for 1931 was 300,000,000 yards in favor of the British products. The drop for 1932 reflects the steady gains of Japanese goods over British products. Japanese cloth was dominant in China, British India, the Dutch East Indies, the Straits Settlement and Egypt in 1932. British products were in the lead in Australia, Africa, South America and Europe.

Mr.. Matsuoka on visiting Manchester this week suggested that Manchester and Osaka manufacturers consult with each other.

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President Roosevelt Given Dictatorial Financial Powers

The modified banking holiday in the United States was indefinitely extended by a decree issued by President Roosevelt March 9. The gold embargo is also contiuned. The Senate and House on March 9 passed the President's Bank Bill. The Bill orders the concentration of the nation's gold into the Federal Reserve Banks and permits bankers to get circulation notes from the Federal Reserve System in return for United States obligations, notes, drafts, bills of exchange and bankers' acceptances. The Notes will be given to the banks to the full value of the United States Government obligations and to 90 per cent. of the sound value of the notes, drafts, etc. These notes will be receivable at par throughout the whole of the United States and will be redeemable in lawful money. The Bill provides for a penalty of 10 year's imprisonment, or a fine of $10,000, or both, for any contravention of the provisions of the Bill.

Economic projects totalling about five hundred million dollars were demanded in the budgetary message of President Roosevelt. A reduction by 383 million dollars is called for by the project in pensions and medical treatment expenses for war veterans formerly totalling 900 millions and moreover the salaries of Federal officers are reduced by 117 million dollars. The House passed the bill March 12.

Many Banks in United States Resume Operations

Twelve cities were permitted to resume banking operations March 13. They were Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis. Kansas City, Minneapolis, Dallas and San Francisco. Meanwhile William Woodin, Secretary of the Treasury, announced the sale of two short-term issues, totalling $80,000,000 in Treasury certificates to meet maturing indebtedness certificates totalling $695,000,000. About $59,000,000 will also be raised to meet public debt payments. These issues will bear four and 4½ per cent interest respectively. This issue is payable "in gold coin or the present standard value," Mr. Woodin declared, but nothing was said as to whether gold circulation would be permitted.

Frederick I. Kent, New York banker, has been made exchange dictator. No gold can be withdrawn from banks or transported. Limited transactions in foreign exchange will be permitted. In no case, however, will speculation be permitted. All persons desiring to deal in foreign exchange must sign affidavits explaining the transaction and giving a pledge that the deal in no way violates the Government's banking rules.

Roosevelt in Radio Broadcast Attacks Dishonest Bankers

President Roosevelt in a broadcast speech from the White House March 12, assured Americans that the banks which were reopening during the week, would be able to meet all needs. The President declared that some bankers were either incompetent or dishonest in their handling of the people's funds, but the government, which was now performing its job, would straighten out this situation as quickly as possible. He also stated that he could not promise that every bank would reopen, but there would be no losses that could possibly be avoided.

U. S. Silver Interests Press for Action

The campaign for the remonetisation of silver in the United States, was opened in the Senate by Senator Key Pittman, new Chairman of the Slnate Foreign Relations Committee, March 10, when he re-introduced two bills which he sponsored during the last session of Congress and a third bill which would authorise the U.S. Government to buy $250,000,000 worth of silver in the open market. The latter, Senator Pittman said, would remove the existing silver surplus and permit the price of silver to rise through the operation of economic laws. The bill provides that purchases may be suspended when the price of silver reaches $1.29 an ounce. One of the earlier bills would permit Britain to pay up to $100,000,000 of her war debt in silver, with a maximum allowance of 45 cents an ounce. The other bill would authorise the purchase of 5,000.000 ounces of domestic silver a month, against which silver certificates would be issued, thus making silver an additional base for the United States currency.

In support of the measure permitting Great Britain to pay her war debt instalment in silver, Senator Pittman said that India owes the mother country the equivalent of G.$85,000,000 which it would like to pay in silver. Adoption of his bill, the Nevada silver expert said, would thus solve three problems at the same time, since it would materially reduce India's huge surplus stock of the metal and tend to increase the world price.

Earthquake in Southern California Kills More Than 150 Persons

More than 150 persons were killed and more than 2,000 were injured in a series of earthquakes that occurred in the Los Angeles region March 10 and 11. The seismograph instruments recorded more than 200 tremblors. The business section of Long Beach was almost entirely destroyed. In Los Angeles only a few buildings were wrecked, the deaths and injuries being mostly the result of falling tiles, windows and roofs. Hollywood escaped with little damage. The American Red Cross, the U. S. Navy, and National and State troops are rendering assistance.

Martial law was put into effect for an indefinite period in Long Beach and vicinity. Working hand in hand with the military and naval forces was a staff of old time frontier peace officers under the command of Charles Henderson, former Sheriff of Silver Bow, Montana. The Long Beach Authorities decided to make him virtual dictator. They elected him head of an emergency council which will control the city government until conditions are settled.

Gas mains were torn apart in Long Beach and the populace was compelled to cook its food over community bonfires. The water mains were shut off in some districts to prevent contamination. Many of the breaks were in lines that parallel the sewers. A survey showed that the towns of Huntington Park, Lynwood and Santa Anna were equally hard hit. The business sections in those places must be rebuilt. In Compton 12 solid blocks of buildings were condemned, and will be razed immediately.

The port facilities at Wilmington and San Pedro were damaged to the extent of at least G.$1,000,000. The piers of the principal shipping concerns buckled and will have to be rebuilt.

An additional tragedy was enacted March 12 when Fraederick Porter, pilot owner, Captain Charles Towne, Santa Monica airport field manager, and police sergeant Charlton, were killed through their plane crashing in a fog off Long Beach as they were hastening to render aid to the victims of the earthquake.

The Tael Is Officially Abolished

As was previously announced, the Shanghai tael was officially abolished March 10. A Customs Notification also abolishes the Haikwan Tael and stipulates that hereafter only dollars will he accepted in payment of custom dues. The rate has been fixed at $155.80 per hundred Haikwan taels.

In connection with the abolition of the tael, the Ministry of Finance has organized a special committee with members from the Central Bank, Bank of China, and Bank of Communications to administer matters relative to conversion of taels and dollars during the transitional period.

The committee is composed of seven members, three being appointed by the Central Bank, where its offices are located. The three banks named above have also been authorized by the Ministry of Finance to carry on the conversion business. The Central Bank will share half of the business, the Bank of China 35 per cent., and the Bank of Communications fifteen per cent.

According to one of the regulations governing the work of the committee, those desirous of having taels or dollars converted into the other currency should first apply for a permit from the committee, which will designate a special bank to attend to the conversion.

The official conversion rate has been fixed at 7.15, that is every $1,000 is worth Tls. 715. The various banks in Shanghai will, of course, for some time continue transactions in taels although it will inevitably be the case that the call for taels will rapidly dwindle as the principal incentive to continue the tael system, that is, to secure a profit in exchanging for dollars, has now been squelched by the Chinese Government's action.

Soviet Envoy Seeks Non-Aggression Pact With Japan

The newly-appointed Soviet Ambassador to Japan, M. Yurenev, arrived in Tokyo March 11 with his family. On the train from Tsuruga he told newspapermen that Soviet Russia desired to be on friendly terms with all countries. Soviet Russia, he added, was paying especial attention to maintaining peace in the Far East. "My chief mission lies in concluding a non-aggression pact with Japan," said M. Yurenev, who intimated his intention of starting negotiations immediately for this purpose.

T. V. Soong and Dr. Lo Wen-kan Say There Will Be No Dealings with Japan

T. V. Soong, Minister of Finance and Acting President of the Executive Yuan, declared in an interview in Shanghai March 11, after his return from the North that no compromise would be possible under the present circumstances and that the Chinese government and people are determined to resist the Japanese invasion. Both Marshal Feng Yu-hsiang, former Kuominchun leader, and Marshal Yen Hsi-shan, he said, agree with the Central Governments' decision decision to resist the Japanese aggression.

Asked if it was true that there would be established a neutralized belt along the Great Wall, Mr. Soong said this was another Japanese move to shift the attention of the world from the main issue between China and Japan.

The Japanese invaders would be offered resistance wherever they advance on Chinese territory, declared Mr. Soong, who emphatically stated that even though the Japanese may take Nanking that would not have the effect of shaking the determination of the Chinese government and people.

During a conversation at Nanking March 13 with the British, American and French Ministers at Peiping, Dr. Lo Wen-kan, Minister of Foreign Affairs, stated that all rumors indicating the possibility of direct negotiations between China and Japan were without foundation and he requested the Ministers to inform their respective Governments to that effect.

Big Slump in Shanghai Building Activities

The annual report of the Commissioner of Public Works of the Foreign Settlement of Shanghai issued March 13 reveals that building last year was only roughly half of the amount in 1931. Two reasons are assigned for the drastic decline. It was recognized in 1930 and 1931 that the years were a boom period that probably would not be soon repeated, and so an appreciable decline was anticipated, but the extent of the decrease was due to the Sino-Japanese warfare which lasted for more than a month and left a much longer wake of depression in the city.

Settlement building permits in 1930 involved construction estimated at Tls. 46,633,800 while those of 1931 amounted to approximately Tls. 37,325,215. In 1932, however, permits were granted for buildings of estimated value of Tls. 18,181,900 while permits were issued for minor works to the estimated value of Tls. 1,090,000. The Sino-Japanese warfare also interfered with municipal work for a long period.

Carlowitz Compradore Loses Appeal in Kiangsu High Court

The Kiangsu High Court last week dismissed an appeal in the case in which the German firm of Carlowitz and Company were sued by the former compradore of their branch office in Tientsin for reimbursement of two treasury bills amounting to Reichsmarks 40,000. The action was originally dismissed in the First Court.

The origin of the case went back to pre-war days, when the former Ministry of Finance in pursuance of a loan agreement for deliveries, issued treasury bills to the defendants with the stipulation that the latter be at liberty to dispose of such bills by transfer, but that payment had to be effected through the defendants. An interpretation of the Sino-German debt agreement of 1924 was involved.

An Untoward Inter-Bank Incident at Tientsin

In connection with a "run" on the Tientsin branch of the National City Bank last week, the *North China Daily News* relates that the National City Bank had arranged with four native banks to cash I. B. C. notes, in an effort to "stagger" the run. The only untoward incident occurred when a check for Tls. 8,000 drawn by the Italian Bank there on the National City Bank was paid into the clearing account which the National City Bank keeps with the Banque de l'Indo Chine, and the Banque de l'Indo Chine refused to accept it. When the management of the National City Bank learned of the French bank's refusal to honor the cheque, they immediately paid the Italian Bank a cheque, drawn on the Hongkong and Shanghai Banking Corporation for Tls. 8,000. The National City Bank then registered a strong protest with the management of the Banque de l'Indo Chine.

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Conservancy Committee Appointed by Ministry of Interior

Eleven engineers and experts were appointed by the Ministry of Interior March 11 to constitute a Conservancy Committee which will be entrusted with the special task of devising plans for the development of conservancy work. The eleven members are Li I-chih, Hsu Kai, Chen Mou-chieh, Chang Tzu-li, Sung Hsi-shang, Wu Tung-chu, Yang Pao-tang, Lin Ping-i, Wang Hu-chen, Shen Pao-chun and Hsi Te-chiung.

Eurasia Aviation Corporation Receives New Plane from Germany

The Eurasia Aviation Company has bought a new airplane from Germany which is being put on the Nanking-Urumtchi route that was recently opened by the company. Three more new airplanes are scheduled to arrive soon for a planned Hankow-Canton route which is scheduled to be opened in April or May.

Gold Deposits Discovered in Hopei

The *Yih Shih Pao* of Tientsin says that gold deposits have been discovered in the districts of Hsinlun, Miyun, Chunhua and Huaijuo, in Hopei.

The Industry Department of the Provincial Government is being besieged for licenses to operate mines.

General Chang Hsueh-min, brother of Marshal Chang Hsueh-liang, is one of the leaders and has already got a special license to organize a North Hopei Company to operate a mine at Hsinlung. It is said that the Company is semi-official, half of its capital being furnished by wealthy merchants and half by the Hopei Provincial Government.

Korndorfer Contract Signed at Nanking

A contract for the advance by the German Kondorfer interests of a sum of $100,000 in connection with the establishment of the proposed iron and steel works was formally concluded between the Ministry of Industry and the German representative March 9. It is understood that pending conclusion of the main agreement, which has been delayed owing to various technical difficulties, the present loan of $100,000 was obtained for the exploitation of the coal mines in Leikiakow, Anhwei, preparatory to the establishment of the ironworks.

Gasoline Imports Show Great Increase

The import of foreign gasoline into China has increased by leaps and bounds during the last twenty-one years since the establishment of the Republic. According to statistics compiled by the Ministry of Industry, the ratio of imports for 1912 and 1932 is approximately 1 to 75. This increase is due largely to the progress made in road-construction throughout the country, with motor vehicles, both private and public, coming more extensively in use. Figures for the year 1932 reveal that more than 30 million gallons of gasoline were imported into this country, the value of which amounted to 13 millions Customs Gold Units or about 26 million Chinese dollars.

Soochow-Kashing Highway to Be Opened Next Month

The Soochow-Kashing Highway will be opened to traffic at the end of April and the Nanking-Shanghai Highway in May, according to the Provincial Department of Reconstruction for Kiangsu. The Soochow-Kashing Highway, which was divided into two sections and built simultaneously, was completed as far as Wukiang-Kashing section. It involves more difficulties in construction and therefore will not be completed until next month.

Shanghai Labor Forum Discusses Factory Legislation

The Shanghai Labor Forum, an association formed before the Shanghai hostilities in 1932, under the auspices of the Y.M.C.A. and Y.W.C.A., has resumed its functions. At a recent meeting held at the Y.W.C.A. on Yuen Ming Yuen Road Dr. Y. S. Tsao, Director of the Institute of Scientific Management presided. Dien Ho-ching, Chief Factory Inspector of the Bureau of Social Affairs presented the topic for discussion, Factory Legislation. Mr. Dien first referred to the two recent accidents in rubber factories. Mr. Dien then discussed the government's plan for enforcing the factory law which included the application of the law in several stages, the first being the registration of factories and receiving of requests from factories for extension of hours of work, the second being the application of health and safety regulations and later stages to include other provisions. He then touched on the problems of inspection, the difficulties presented by having three separate areas under separate jurisdiction and the failure so far to secure any satisfactory agreement between the authorities in the three areas.

A general discussion followed Mr. Dien's remarks.

Soviet Russia's Budget Expenditure

The itemized expenditures under the State Budget of Soviet Russia for the current year, as adopted by the Central Executive Committee, were published in Moscow March 1 as follows:

	Roubles
ECONOMIC:	
Investments in heavy industry	10,748,968,000
Light Industry	834,820,000
Timber Industry	1,088,900,000
Other Industries	630,200,000
State farms	1,391,050,000
Collective farm development	1,484,703,000
Water works	38,400,000
Food industry	747,700,000
Trade (internal)	2,193,300,000
Foreign trade	70,239,000
Municipal development and housing	14,974,000
Railroads	2,163,300,000
Shipping	644,100,000
Road construction and auto transport	333,724,000
Civil aviation	156,650,000
Polar navigation	25,000,000
Means of communication	186,000,000
Formation of reserve funds	780,000,000
Hydrometeorological service	59,064,000
Other business investments	320,474,000
CULTURAL:	
Education	2,153,033,000
Health	128,362,000
Physical culture	8,085,000
Labor protection and social welfare	103,619,000
MILITARY:	
Military administration and defense	2 264,431,000
MISCELLANEOUS:	
Expenditures on state loans	1,330,000,000
Appropriations for local budgets	1,949,403,000
Social insurance	94,650,000
State bank clearing	266,800,000
Funds granted to state insurance	30,000,000
Government reserve fund	922,700,000
Other funds	67,766,000
State reserve	1,780,000,000
Total:	35,010,920,000

The rouble under the Soviet monetary system is one-tenth of a chervonetz. In theory a Soviet rouble has the same value as the rouble of Czarist days, about fifty-one American cents. Actually the rate is held up artificially by forbidding currency either to be sent out of or into the country. Soviet rouble notes can be bought in Shanghai for less than ten Mexican cents, but are valueless unless they can be smuggled into Russian territory—as many doubtless are.

The Foreign Trade Turnover of the U. S. S. R. in 1932

According to statistics released in Moscow recently the total foreign trade turnover of the U. S. S. R. in 1932 amounted to 1,262,577,000 roubles. Exports totalled 563,884000 roubles and imports 698,693,000 roubles. As in 1931, Germany occupied first place in Soviet foreign trade turnover. Great Britain, with the colonies, dominions and India, came second.

Detailed figures for the principal countries are as follow:

	TOTAL Roubles	EXPORTS Roubles	IMPORTS Roubles
Germany	422,472,000	98,061,000	324,411,000
Great Britain, etc.	254,779,000	149,952,000	104,767,000
France and colonies	34,837,000	30,715,000	4,122,000
Afghanistan	26,356,000	14,574,000	11,782,000
Holland	32,508,000	20,800,000	11,708,000
Holland (excluding Sinkiang)	13,974,000	8,086,000	5,888,000
Sinkiang	28,003,000	15,698,000	12,305,000
Mongolia	61,673,000	41,395,000	19,278,000
Norway	17,956,000	3,819,000	14,137,000
Persia	75,308,000	25,368,000	49,940,000
U. S. A.	48,727,000	17,014,000	31,713,000
Sweden	27,662,000	6,141,000	21,521,000
Japan	16,194,000	10,199,000	5,995,000
Italy	53,156,000	26,012,000	27,144,000

In Soviet exports first place was occupied by raw materials and semi-manufactured articles (69.7 percent), the second by foodstuffs (24.8 percent), and the third by manufactured goods (5.5 percent).

In Soviet imports manufactured goods, principally machinery and equipment for industrial undertakings, came first, accounting for 72 percent of the total. Raw material and semi-manufactured articles came second with 24.6 percent and foodstuffs third with 2.4 percent.

Mukden Much More Japanese Than Dairen

According to the figures made public by the Section of Inquiry of the Kwantung Government, the total population of Kwantung province (leased territory) and the South Manchuria railway zone at the end of last year stood at 1,323,864, or 961,146 in Kwantung province and 362,718 in the railway zone. Classified according to nationalities, there were at the end of last year 1,049,325 Chinese (79 per cent.), 242,524 Japanese (18 per cent.), 29,958 Korsans (2 per cent.) and 2,057 aliens. As compared with the end of the previous year, the Japanese population increased by 22,486, the Chinese population by 18,841, and the Korean population by 7,417, while the alien population showed a decline of 65.

Dairen had a population of 285,164 at the end of last year, or an increase of 12,011 over a year previously. It consisted of 177,754 Chinese, 105,386 Japanese, 1400 Koreans and 624 aliens. In a year, there was an increase of 6,214 Japanese.

In the city of Mukden, the Japanese population is predominant. Of a total of 49,808, the Japanese accounted for 29,319, the Chinese for 18,648, and the Koreans 1,008.

Manchukuo Bank Declares Its Initial Dividend of Six Percent

The Bank of Manchukuo declared its first dividend at the rate of 6% at its first general meeting of the shareholders, on Febuary 28 in Hsinking. The total income for the period since June 15, when the Bank was inaugurated, was Yen 6,657,000 and the expenditures Yen 6,294,000, leaving a surplus for income of Yen 362,000.

Out of the net income, the Bank set aside Yen 30,000 as the fund providing for unexpected losses, Yen 10,000 for the dividend payment, and Yen 80,000 as the special reserve. Approximately Yen 225,000 will be distributed among the shareholders, according to the disposition. The shareholders approved the disposition method unanimously.

Japan Stills Fears the Chinese Boycott

(From the Osaka Mainichi, Feb. 25)

Japan's trade with China may face a crisis as there are indications that the anti-Japanese boycott will spread. Although the boycott had been suspended for some time, it has become rife again, taking advantage of Japan's unfavorable situation in the League of Nations. What is worse is the fact that American and Russian traders in China are alleged to be instigating the Chinese people to boycott Japanese goods in order to sell their own.

Since a few days ago, new transactions have been withheld in Tientsin, Tsingtao, Shanghai, Hankow and Canton where a tense atmosphere has been prevailing for a long time. According to the latest reports from those districts, Chinese merchants are encouraged by the League of Nations' interpretation that a boycott is a reasonable patriotic movement.

Shantung Reorganizes System of Tax Collection

Drastic measures for the reorganization of the system of collection of the tobacco, wine and stamp taxes in Shantung has been adopted as a result of a conference among the ranking finance officials of the province.

While the number of bureaus, sub-bureaus, and collection offices is to be greatly reduced, appropriations for those retained are to be given a corresponding increase. The holding of the conference was a sequel to the case of the late Chao Chun-chen, head of one of the sub-bureaus, who was found guilty of corruption and executed. General Han Fu-chu, Chairman of the Shantung Provincial Government, who personally handled this case, alarmed at the depth to which corruption had penetrated the system of tax collection, decided that immediate steps were necessary to purge the province of the evil.

Pardon Granted Chang Tsung-chang's Slayer

The State Council, at a meeting in Nanking March 11 granted a special pardon to Cheng Chi-chen, who assassinated Marshal Chang Tsung-chang, the ex-Governor of Shantung, at Tsinanfu last year.

Many appeals for a pardon for the assassin had been eceived by the authorities in the past few months.

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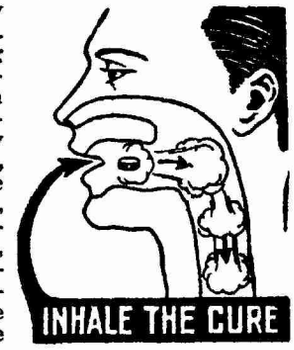

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Japanese Buy More Old British Ships

Japan has bought four more British ships, a telegram from London March 8 stated. This brings the total ships bought from Great Britain within the last month up to 16, all of which except a few are to be broken up for scrap. The most recent purchases are the *Padua, Glenshane, Canadian Inventor* and the *Canadian Mariner*. The two last mentioned are intended for trading purposes. The Dairen Kisen Kaisha is among the purchasers. The Japanese papers state that probably the import of obsolete vessels will become more active for the time being as the shipping companies are now faced with the necessity of increasing the number of vessels rather than providing more economical and superior ships but fewer in number.

A recent London telegram stated that the selling of worn-out ocean liners to Japan at scrap prices, which ordinarily goes on practically unnoticed, is now viewed with skepticism and alarm by shipping circles in England in view of the strained situation in the Far East. The aggregate tonnage of vessels recently sold is over 100,000. They have been sold at an average rate of £1 per ton.

The purchase of old ships from foreign countries to be used by the Dairen Kisen Kaisha for trading purposes, has developed into a political issue between the Japanese Department of Communications and the Department of Overseas Affairs. The Communications Department has been urging on the Dairen Kisen Kaisha to scrap these vessels, but the shipping company has obtained the support of the Overseas Department, which now openly hints that should the former prohibit the coastal trade with Japan. Proper, the Overseas Department would resort to retaliatory measures in Chosen and the Kwantung Leased territory.

A joint protest against the proposed purchase of six more foreign ships by the Dairen Steamship Company has been raised by the Japan Shipowners' Association, Shipbuilders' Association, Ship Improvement Society and other Japanese shipowners. These Japanese shipowners believe that the action of the Dairen Steamship Company runs against the principle of the Ministry of Communications for improving the quality of Japanese ships.

Later telegrams intimated that the Dairen Kisen Kaisha had consented not to made further purchases.

"Great Asia" Movement Organized in Tokyo

The Great Asia Association, which may prove to be the beginning of a Big Asiatic League, was inaugurated on March 17, the first anniversary of the foundation of Manchukuo, in Tokyo. Besides the members of the organizing committee, including Prince Konoe (Vice-President of the House of Peers), Admiral Viscount Ogasawara, Mr. Hirota (former Ambassador to Russia), Lieut. General Matsui, Baron Kikuchi, and Dr. Murakawa (professor of Tokyo Imperial University), there were present General Araki, Minister of War, General Minami, former Minister for War, Admiral Kato, former Chief of the Naval General Staff, General Honjo, former Commander of the Kwantung Garrison, Mr. Pao, the diplomatic representative of Manchukuo, Mr. Yoshizawa, former Minister for Foreign Affairs, and about 120 others.

The main work of the new association is announced to be to endeavor to propagate and disseminate Japanese culture and to help forward the awakening of the Asiatic peoples by broadcasting, by organizing lecture meetings and by issuing pamphlets.

800 Japanese Reservist Officers Go into Active Service

The system by which some 800 young lieutenants and sub-lieutenants on the reserve list of the Japanese Army will be again placed in harness was promulgated through an Imperial ordinance in Tokyo under date of February 27. The idea is to fill the growing need of officers. These reserve officers on re-entering service will be officially known as "special volunteers." These special volunteers are required to serve at least two years, at the end of which those who have made creditable showings only will be allowed to continue in the service up to 40, while college graduates, army veterinary officers, and accountants may serve, if they wish, up to the age of 42. A Tokyo telegram states that as soon as the War Office announced its intention of using reserve officers, approximately 3,000 out-of-work college graduates filed applications with the War Office.

Further Developments in Japanese Seizure of Ford Trucks

The diversion by the Japanese naval authorities of 100 Ford trucks and two passenger cars intended to be despatched to Tientsin, but diverted to Dairen, mention of which was made in *The Review* last week, is having repercussions in a number of directions. The shipment went forward by the s.s. *Haru Maru* from Yokohama, the consignors being the Ford Motor Works in that city. The cars were intended for Marshal Chang Hsueh-liang, the sale having been made through the American-Chinese company at Tientsin. The shipment from its inception seems to have created suspicion among the Japanese and when the ship touched at Karatsu, March 3, the authorities were on the point of seizing the cargo as war material but eventually allowed the ship to proceed. According to the *Japan Chronicle* and the *Osaka Mainichi*, the Japanese Ford dealers claim that the Ford Works have been shipping cars to the Chinese while declining orders in Japan and this has caused talk of a boycott against the Ford Company in Japan. The seamen's union is stated to have sent a wireless to the crew of the *Hara Maru* not to land "the enemy's ammunition." The boat was scheduled to drop the cargo at Taku, but the crew is stated to have insisted that the boat should go on to Dairen and unload the cargo there. It is admitted on all sides that the cargo had already been paid for. As already mentioned, it is understood that a protest against the Japanese action has been lodged with the Japanese Government through the American Embassy in Tokyo. In the meantime the Japanese naval authorities in Dairen are in possession of the trucks.

On the arrival of the *Haru-maru* at Dairen, the vessel was visited by gendarmerie authorities, but as the goods are a foreign shipment the authorities decided they could not seize them. The seamen are meanwhile adhering to their original attitude of refusing to carry the cars to Tientsin, insisting on discharging the cargo at Dairen. The Japanese newspapers express the belief that eventually the cargo will be returned to Yokohama.

Soviets Fortify Their Eastern Frontier

In a speech delivered in connection with the 15th anniversary of the creation of the Red Army, K. E. Voroshilov, commissar for the Army and Navy, declared in Moscow March 10 that the frontiers of the Soviet Union, both in the West and in the East, had been fortified against attack. Emphasizing the work carried out by the Soviet Government in fortifying both the Western and Eastern frontiers of the country, M. Voroshilov said: "These fortifications constitute proof of our peaceful intentions. We have no intention of attacking anyone. We have fenced ourselves around with costly structures to defend ourselves against any possible attack by those who accuse the Soviet Union of 'Red imperialism' and similar absurdities. The Red Army exists, not for conquest, but to protect the workers and peasants of our country."

American Woman Missionary in Jehol Shows Great Courage

Miss Minns, an American missionary at Lingyuan, Jehol, showed great courage during the recent bombarding of that city. Following warnings from the Japanese that the town would be bombed, Miss Minns and her British assistants made a crude American flag which they hoisted over the Mission compound. When the bombardment started Miss Minns marshalled a large group of Chinese children under her care and carrying the American flag, coolly marched the youngsters to a previously prepared bomb proof dugout, over which she planted another flag. The Japanese airmen seeing the flags, carefully avoided the place of refuge during the bombardment.

Manchukuo Enters Protests Against Dam in Sungari River

The Harbin representative of the Manchukuo Government is reported to have lodged a protest with the Soviet authorities against their alleged action in erecting a light dam at the confluence of the Sungari and Amur rivers, on the ground that this will result in the rivers silting to such an extent as to render it impossible for river-steamers to enter the Amur river from the Sungari. The Manchukuo authorities demand the removal of the dam which, it is contended, was erected without the consent of the Manchukuo Government.

Sun Yat-sen Institute Formally Opened at Nanking

The Sun Yat-sen Institute for the advancement of Culture and Education was formally inaugurated at the Mausoleum Park in Nanking March 12. Following the opening address by President Lin Sen, who presided, Sun Fo, the founder of the Institute and Chairman of the Preparatory Committee, reported on the progress of his committee. The proposed constitution for the Institute was then discussed and several minor revisions made. The meeting elected a Board of Directors of 29 with Sun Fo as Chairman. Routine matters of the Board are to be handled by a Standing Committee of eight. Members of the Board are as follows: Sun Fo (Chairman), Tsai Yuan-pei, Tai Chi-tao, Wu Te-cheng, Yeh Kung-cho, Shih Liang-tsai, Cheng Hung-nien, H. H. Kung, J. U. Ly (who are also to constitute the Standing Committee); Lin Sen, Chiang Kai-shek, Wang Ching-wei, Hu Han-min, Yu Yu-jen, Wu Chih-hui, Chang Ching-kiang, Chang Chi, T. V. Soong, Li Shih-tseng, Chu Cheng, Chen Kuo-fu, C. C. Wu, Ku Meng-yu, Chu Chia-hua, Yang Shu-kan, Chang Ting-fan, Hsieh Tu-pi, Wang Yun-wu and Ma Chao-chun.

Manchukuo "Rehabilitates" Jehol Area

The Manchukuo Government has decided to establish a rehabilitation office for Jehol at Chengteh, capital of that province, and also to set up a branch of the Central Bank at Chengteh with a view to unifying the currency and readjusting the finances of Jehol. The Government is providing the peasants in Jehol with seeds and farming implements so as to enable them to make spring sowing without a hitch. An air service has been inaugurated connecting the principal towns in Jehol including Chengteh, Chihfeng, Pingchuan, Lingyuan and Chaoyang.

Tax Offical Jailed for Making Unlawful Collections

Zee Ts-zung, chief of the Shanghai Paoshan Tax Bureau, was sentenced to two years imprisonment and fined $500 by the First Special District Court last week after being charged with misappropriating various sums of money belonging to the local revenue department of the Ministry of Finance as well as fraud and malfeasance in office. The case grew out of the wrongful collection of taxes from garages in the settlement while the accused was only authorized to collect taxes from garages in Chapei and Paoshan districts.

State Control for Manchukuo's Economic Life

State control forms the guiding principle of a gigantic economic program announced simultaneously in Changchun and Tokyo March 1 by the Manchukuo Government. The statement declares that in view of the abuses and evils which mark uncontrolled capitalism the Manchukuo Government intends to make the most of capitalism with the necessary state control so as to achieve sound and vigorous development of the national economic life. The program lays down that all key industries and enterprises of the nature of public utility or relating to national defense shall be nationalised or conducted by specially chartered corporations.

Japan Intends to Keep Pacific Islands

Mr. Matsuoka, Japan's chief delegate at Geneva, was interviewed in Berlin on his way back to China March 3 by a *Trans-Ocean* representative. Asked whether in the event of her secession from the League Japan would return her mandate over Germany's former Pacific possessions, Mr. Matsuoka replied with an emphatic "No," adding that the island groups were given to Japan by the Allies in return for her war services and that Japan occupied the islands before the birth of the League, whose subsequent mandate was a mere formality in confirmation of the Japanese possession.

"Red Pills" Manufacturing Plant Seized

Operatives from the Shanghai Municipal Police narcotic squad raided a warehouse on Avenue Foch on the morning of March 4 where a huge plant for the manufacture of "red pills" was found, together with a large quantity of raw mterial to manufacture the pills. The plant was located through the interception of a motorcar and a Chinese chauffeur found to be carrying almost 400 pounds of these narcotic pills. Eight arrests were made.

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Men and Events

Jesse I. Straus, New York merchant, previously mentioned for the post of Minister to China, has been appointed Minister to France.

M. Bogomoloff, Soviet Ambassador to China, departed from Moscow for Nanking March 10. He is expected to arrive here via Siberia March 21.

Shinrokuro Hidaka, former Second Secretary to the Japanese Legation in Paris, who returned to Japan lately, has been selected to be Consul-General at Nanking.

Wellington Koo, Quo Tai-chi and Lo Chung-i have been appointed by the Chinese Government plenipotentiary delegates to the International Disarmament Conference.

Admiral Sir Frederick Dreyer assumed his new post as Commander-in-Chief, of the China Station, at Hongkong March 12, relieving Admiral Sir Howard Kelly, K. C. B.

A 24-hour guard by three policemen has been assigned to the home of Atsushi Kimura, Japanese Consul-General at Manila, following receipt of anonymous threats in Chinese writing.

After six years of service with the Far Eastern station of the Italian Navy, the cruiser *Libia* departed from Shanghai March 15 for Italy, under command of Captain Guido Bacci di Capaci.

Guiseppe Zangarra was sentenced to death at Miami March 9 for the murder of Mayor Anton Cermak of Chicago, whom he shot down in an attempt to assassinate President Roosevelt over a month ago. He will be electrocated next week.

A classified advertisement in a Vancouver newspaper March 4 read in part: "All Japanese reservists report to the Consulate." The Acting Consul in said city denied any knowledge of the announcement.

Direct radio communication between China and Soviet Russia has been opened by the International Radio station at Chengju, (Shanghai). The rates are $1.95 per word for European Russia and $1.45 for Asiatic Russia (Siberia).

The local American Consulate-General announced Feb. 28 that James K. Penfield, vice-consul at Canton, was being transferred to Mukden and will pass through here. Ralph Blake, who is vice-consul at Tsinan, will be transferred to Harbin.

A 9ft. long model of a Fukien sea-going junk has been presented to the British Science Museum by Sir Frederick Maze. This type of craft, now rapidly dying out, is in use in Northern China and has been little subject to European influences.

Announcement was made end of last week that L. H. Lawford, Commissioner of the Shanghai Customs, had been relieved of his duties by order of the Inspector-General and had handed over the post to A. C. E. Braud. Reasons for the change were not stated.

Tian Lan-yan, who on October 12 last year murdered Mrs. Florence Helen Woodruff at Harbin, when she tried to prevent the abduction of her two children, was publicly executed in the main street of the Chinese town of Fujiadien, adjacent to Harbin, March 11.

The Russian newspapers at Harbin state that the Manchukuo Foreign Office has published an order in the province of Hingan that no difficulties are to be placed in the way of refugee settlers from Soviet Russia, and that they are to be given hospitality by Manchukuo.

R. W. Assomull, head of the silk concern of the same name with many branches all over the Far East, the one in Shanghai being at 126 Nanking road, arrived here recently from his head office at Hyderabad, Iudia, on an inspection tour, accompanied by the manager at Singapore, T. Naraindas.

A recent New York dispatch stated that the prices of Oriental manufactured goods were advancing in New York apparently in anticipation of a sharp rise in all goods. Many firms were increasing the prices of runs 25 per cent and one of the largest silk corporations advanced the price of broad silks 10 per cent.

Julian Grande, for many years the accredited Geneva correspondent of the *London Daily Telegraph*, accompanied Dr. H. H. Kung, Minister of Industries on the trip out from Europe, and has also accompanied him to Nanking. Mr. Grande is making a tour of the Far East as the representative of several European and American newspapers. In a recent interview he stated that Europe has too many troubles of its own to devote any time or energy to the Sino-Japanese conflict.

By order of General Chiang Kai-shek the National Aviation School at Hangchow has been removed to Loyang. All airoplanes left for Loyang, by way of Nanking March 13.

The old colors of Germany, black, white and red, with the Swastika flag of the National Socialists, was unfurled over the German Consulate General in Shanghai March 16.

The last of a series of three lectures dealing with the present situation in Jehol was delivered on the night of March 3 in the Y.M.C.A. Boulevard de Montigny, by Chen Li-ting, honorary secretary of the Y.M.C.A.

President Roosevelt March 13 sent a message to Congress recommending legalization of beer. The House promptly passed a bill authorizing beer of 3.2 percent alcoholic content. The incidental taxation is expected to raise G$125,000,000 annually.

The House of Representatives Feb. 21 accepted the Senate's "Buy American" amendment of the Department of the Treasury's Post Office Supply Bill, directing the Government agencies to purchase articles produced in the United States, in order to prevent the importation of foreign products.

The International Savings Society has completed the purchase of a corner property at Avenue Edward VII and the French Bund, Shanghai for a price of $2,000,000. The property is at present occupied by the Banque Franco-Chine, Wheelock & Company, Ltd., and Melchers & Company.

A recent circular letter signed by Hubert S. Liang, general secretary of the National Committee of the Y. M. C. A. is devoted mostly to a discussion of the steps which are and ought to be taken by China to resist further Japanese invasion and eventually to recover Manchuria from Japan.

Several criminal appeals will come before the British Full Court in Shanghai, March 20. One of the cases is the appeal of Ganda Singh, Channah Singh, Harnam Singh and Fakir Singh who were sentenced to terms of imprisonment and deportation in Hankow for taking part in a criminal affray.

William Martin, formerly foreign editor of the Geneva *Journal*, who is now visiting China, was guest of honor at a lunch given by the Shanghai Chinese journalists March 11. Mr. Martin has recently resigned from the Geneva *Journal* in order to accept the appointment as professor of history in the Geneva University.

Douglas H. O'Dell, publisher of *The Japan Review* and a resident in Japan for many years, committed suicide at his home in Yokohama, in the early hours of March 3. He was 51 years old and is survived by his wife, the former Miss Anais Frost of Yokohama. His dead body was discovered by his wife when she was awakened as the result of the earthquake which rocked the northern part of Japan on the same date.

One of the last official acts of Marshal Chang Hsueh-liang was an order for the release of Gerald Yorke, special correspondent for *Reuters* in Jehol, who had been arrested by military authorities at Minyunhsien. Mr. Yorke was released March 11 and returned to Peiping immediately. He is the son of Vincent W. Yorke, a justice of the peace at Forthampton Court, Tewkesbury, Gloucester, and a well-known financier of South-American railways.

Mr. Perkins, chairman of the National City Bank, in New York Mar. 8 announced that the directors of that institution had definitely determined upon a policy working towards complete divorce of the bank and its securities affiliate the National City Co., which has been subjected to heavy fire as the result of disclosures before the Senate Committee investigating the stock market.

Robert S. Pickens, the author of the article "Over-Borrowing Caused Financial Crisis" on page 93 of this issue of *The Review*, was for the past five years a member of the Washington Bureau of the *Associated Press* and for the last two years of the Hoover Administration was White House Correspondent for the *Associated Press*. Mr. and Mrs. Pickens are making a tour of the Orient and are now in Shanghai.

Wang Ching-wei on his arrival in Hongkong on the French ship *Aramis* enroute to Shanghai, conferred with Hu Han-min and Li Tsung-jen. In an interview Mr. Wang said he was going straight to Nanking. He expressed dissatisfaction with Marshal Chang Hsueh-liang, who despite the overwhelming number of his troops lost Shanhaikwan within one day and Jehol within a week. He added that he did not believe that the loss of four Northeastern Provinces would satisfy Japanese imperialistic ambitions. He therefere advocated a stronger military resistance and unity among the Chinese leaders.

Who's Who in China

Chang Hai-peng, former subordinate of Marshal Chang Hsueh-liang, who affiliated himself with the Japanese following the Mukden Affair on Sept. 18, 1931 and who has just been appointed by the Japanese as Governor of Jehol; born at Kaiping, Liaoning, 1870, served under the Ching (Manchu) Government Army; Commander of 55th Brigade of the 28th Division; Commander of 4th Brigade of the Northeastern Army; Defense Commissioner of Liaoning and later of Taonan and Tungliao; threw in his lot with the Japanese Army, when the latter invaded the Three Eastern Provinces on Sept. 18; fought against Gen. Ma Chan-shan, former Chairman of Heilungkiang Provincial Government, at the battle of Nonni River, but suffered defeat; appointed Chief aide-de-camp to Pu Yi upon establishment of the Japanese puppet organ "Manchukuo;" Commander-in-Chief of the "Manchukuo" Expeditionary Forces during the recent Japanese invasion of Jehol; following the defeat and explusion of Gen. Tang Yu-ling, former Chairman of Jehol Provincial Government, he has been offered the post of Governor of Jehol; address: Jehol Provincial Government, Chengte. Jehol.

張 海 鵬 字 仙 濤

Chang Hai-peng

張海鵬字仙濤，遼甯蓋平人，清時任巡防營管帶，民國成立後，任奉軍陸軍第二十八師第五十五旅旅長，旋升東北陸軍第四旅旅長，繼任遼甯鎮守使，洮南通遼鎮守使，受前東北司令長官張學良氏所節制，但因權利爭執與張積不容，仇視頗深，日軍東犯時，遂背國潛投日軍供其驅使，與馬占山將軍血戰於嫩江，僞滿洲國成立時，被任爲溥儀禁衛軍長，此次日軍犯熱河任僞滿洲國軍總司令參加軍事行動，自湯玉麟被逐出走後，由日軍任爲熱河省長。

Chinese Products Cooperative Society Organized

The Chinese Products Cooperative Society was offically organized March 10 at 1 Yuen Ming Yuen Road, Shanghai. This Society has been established by the Association of Cooperative Manufacturers and Consumers with a view to promoting Chinese products. Y. D. Zia was appointed manager, with G. T. Loh and S. S. Zai as his assistants. The Society will have branch offices at Amoy, Swatow, Hongkong, Wuchow, Kiukiang, Hankow, Changsha, Foochow, Shasi, Tsinan, Chefoo, Puchow, Ningpo, Nanking, Tsingtao, Nantungchow, etc. It is also negotiating to make connections in foreign countries and also in the South Sea Islands.

Korean Is Kidnapped by "Enemies" in Shanghai Suburb

Lee Chung-shan, an influential leader in the Korean revolutionary party, who acquired Chinese nationality through naturalization last January, was pulled out of a ricsha by three men and kidnapped in a motor car on Lupan road, Nantao (Shanghai suburb) March 9. The Chinese newspapers in reporting the incident stated that it was not an ordinary kidnapping, and that Mr. Lee had evidently fallen into the hands of "enemies" because of his connection with the Korean revolutionary movement.

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New Books of Interest in the Far East

For Friend and Foe Alike

Re-Thinking Missions. A Laymen's Inquiry After One Hundred Years. Harper and Brother, Publishers.

Much has been said and written about this volume, but not too much. It is a most remarkable piece of work, not only for the far-reaching effects which its appraisal and recommendations concerning mission work in the Far East must produce, but also for the manner of its presentation. It is scientific in its approach: succinct and scholarly in its style. It is not church givers at home and mission workers abroad alone who should read it, but every intelligent man or woman who wishes to keep abreast of significant changes in the world today, be those transitions political, educational, social or religious. The well-read person today needs to know not only what progress India is or is not making toward dominion status, what the probabilities are of a major war between Japan and China and the possibilities of the League of Nations effecting a pacific solution of their problems, but also why the fervor of western churches for the Christianization of eastern lands has waned, and questionings, if not indifference, taken the place of former zeal.

After a hundred years of continuous, and in many instances, sacrificial giving to the cause of foreign missions, a change has been apparent at the home base. Decreased giving at home has made drastic retrenchment on the field inevitable. A growing conviction that the whole enterprise perhaps needed re-orientation to the needs of the peoples ministered unto, and a readjustment to the trends of thought and the demands of a new social order, led a group of laymen to meet for serious consideration of what was needed. Representatives of seven large denominations joined in the move to make a thorough-going, scientific, sympathetic but objective inquiry into the whole enterprise of foreign missions. A group of trained "fact-finders" first visited India (and Burma), China and Japan, and dividing into three groups for study of these three large fields, they remained on the field for seven or eight months. They prepared a most remarkable piece of research work,—the facts or data needed by the Commission for its later work of appraisal. Then a group of fifteen of the most able and out-standing men and women to be found were commissioned to study the data, visit the field, interview missionary leaders and educated nationals, get the viewpoint of Christians and non-Christians, and thereby appraise the work that has been done in the past, is being done at present and needs to be done in the future, if our efforts to help a changing East are not to be quite futile.

Some of the questions the Commission has attempted to answer are:

Should Foreign Missions be continued?

If so, what changes in program and personnel are necessary?

Should denominational distinctions be maintained either on the foreign field or at the home base?

What should be the attitude of Protestant Christianity toward non-Christian religions?

Some of the criticisms made by the Commission in its appraisal are:

The early missionaries, going out from a rigid Protestantism, a superimposed foreign-made system upon the minds of their converts.

The major scandal of Christianity is its schisms and divisions, and these have been confusing to the people of other lands.

Christianity has too often been presented as a complicated system of ideas and regulations rather than as a thrilling way of life.

The message has been "doctrine-centred" rather than socially-minded. Social problems, problems of labor and industry have been largely untouched.

The church thus planted was not indigenous and ignored the culture and inherited attitudes of the Oriental peoples.

The theological seminaries have been too many in number, but inadequate in quality, preparing "scribes" rather than "prophets."

Education has been weakened by denominational divisions, stagnant thinking in a day of educational progress, and lack of expert direction.

The number of colleges is disproportionate to the funds available, and for lack of unity in administraion they frequently compete wastefully.

The first aim of medical work should be a high professional standard. Medical work is Christian in itself, not merely a means to an end.

Possibly the enumeration of these criticisms made by the Appraisal Commission gives the impression that the group was unappreciative of the devotion of the saintly men and women who were the early missionaries. Not so. Moreover, the criticisms are not without corresponding constructive recommendations. These recommendations are of broad vision and far-reaching scope. They are sufficiently concrete and practical to make pessimism give way to hope, and discouragement to renewed endeavor. There is in the whole report not one accent of retreat, not one note of despair. The Commission was unanimous in the conviction that "missions should go on." As one of their number has expressed it: "Take what angle you will, a square and steady look at what missions have done and are doing will convince any fair mind that nothing on earth is more worth-while. The missionary enterprise of the Christian churches of America stands as one of the most noble examples of high motivated spiritual adventure in the history of mankind!" That is strong commendation. To this reviewer's mind, it is evidence of the narrow vision which is out-dated for any missionary to resent the criticism and repudiate the recommendations, as did one writer in the columns of the *Weekly Review*. (Feb. 11 issue.) Perhaps that one inadvisedly burst into print before he had read the report *in toto*. The advance releases, like the enumeration of criticisms above, may give an unbalanced impression, but to read the book is to be impressed by the Christian spirit, the courtesy, the painstaking accuracy and the scholarship of the Appraisal Commission. One need not agree with every recommendation in order to believe in the sincerity and sympathetic attitude of the appraisers.

For more reasonable comments on the work "Re-Thinking Missions," this reviewer would refer the reader to "American Laymen and Missions in China" by D. Willard Lyon (a reprint from the *Chinese Recorder*), the "Proceedings of the Meeting of the Directors and Sponsors of the Inquiry" (a meeting of 600 interested persons at Hotel Roosevelt in New York City), "Re-Thinking Missions" by Frederick Fisher (in *Christian Century* of Dec. 14) and "What Matters in Missions?" by George Sokolsky (*Christian Century* of January 11). The Laymen's Commission as a group expressed the aim of Christian missions in these words: "To seek with people of other lands a true knowledge and love of God, expressing in life and word what we have learned through Jesus Christ, and endeavoring to give effect to his spirit in the life of the world." Is it a materialistic or a spiritual aim? The only essential difference between the old viewpoint and the new seems to be the *method* of "giving *effect* to His spirit *in the life of the world" of today.* G. T. F.

1933 China Hong List Is Published

The new (1933) edition of the China Hong List, published by the North-China Daily News & Herald, Ltd., Shanghai, contains 823 pages, is admirably printed on serviceable paper, and is bound in red cloth with stiff covers. The current Hong List has two important additions to the matter contained in previous issues, one of them being a new map of Shanghai, published by the authority of the Shanghai Municipal Council. The map contains a large number of the new roads which have been laid out in the outskirts of the Settlement. It is printed in four colors and covers territory from the S.H.N. Railway on the west to the Point on the east, and from the Kiangwan Race Course on the north to the Arsenal on the south.

The Who's Who section contains the names of about 13,950 foreigners, together with leading Chinese merchants, government and municipal officials. The outport and missions sections reflect the great many changes that have taken place—many firms have withdrawn their branches in smaller ports and many missionaries have changed their stations.

A new feature is the heading, "Chinese Government Offices," under which are listed particulars concerning the chief officials of the various government departments and the courts in Shanghai.

The price of the Hong List together with the new map is Mex $11.

Poison Gas Scare in Japan Leads to Salt Investigation

The recent reports in Japan, (afterwards learned to be erroneous on the authorty of the War Office itself) that the Chinese troops in Jehol were using poison gas, had an unusual repercussion. in that shippers of Japanese salt to China were hounded by the gendarmerie, even the large Japanese firm of Mitsui Bussan being brought under suspicion. The principal victim was Tsunesaburo Tanaka, a 43-year-old dealer in chemicals of Dairen who was arrested by the Tokyo gendarmerie and taken to Osaka on the night of March 5. He was arrested following examination in Osaka of Tokuzo Shima, leading financier of Kwansai. It was learned that Tanaka had on December last approached the Yahara Company of Port Arthur and ordered approximately 6,000 tons of salt. The firm declined the contract because it had very little salt in stock. Several days later, the same Tanaka, together with another, came to the Yahara firm and again wanted to buy some salt, saying that the Mitsui people had contracted to deliver 3,000 tons, but that several thousand tons more were necessaay. The men made it plain that they were connected with Shima & Company, it is alleged, and that nothing would be amiss regarding the contract. Finally, it is learned, the Yahara firm sold about 1,500 tons to the two men. The total of 4,100 tons was put aboard a freighter at Port Arthur on February 26 and shipped to Hongkong, it was later found.

Six men on March 10 attacked the house in Osaka of Tokduzo Shima, one of Japan's financial magnates, whom they suspected of having sold salt to the Chinese Government for manufacturing poison gas. The attackers broke the front gate of the house with a huge stone. They were arrested.

General Araki Refutes Story that Chinese Used Poison Gas

In a reply to a question in the session of the 4th subcommittee in the House of Peers, Tokyo, March 9 as to whether it was true that the Chinese used poison-gas in Jehol the Japanese War Minister, General Araki, replied that investigations proved the report to be groundless.

Watchmen in Cotton Mill Strike Fire and Wound Workers

Incidental to a strike of several thousand workers of the Shen Hsin Cotton Mill in Brenan Road, Shanghai, on March 11 a riot ensued when one of the watchmen started searching the workers. He blew his whistle and the whole force of about twenty watchmen turned out, their guns in hand, to disperse the workers. A free fight followed, in which the watchmen opened fire. As a result eleven workers were seriously injured and about twenty hurt during the stampede which ensued. Another dozen narrowly escaped being drowned when they fell into the Soochow Creek while making a dash for a ferry boat. The wounded are being treated in the Chinese Red Cross hospital.

British Merchant and Russian Dancer in Double Tragedy

A British merchant from South Africa and his Russian paramour were the victims of a double shooting tragedy in an apartment house in the Shanghai French Concession March 13. The victims are L. W. Luyt, 50 years old, of Messrs. Rothmans, Ltd., and Mrs. Anna Malkina, 24, former Russian cabaret dancer. The bodies of both were removed to the morgue. The inquest was adjourned until March 17 by the local British authorities. The indications are that the man first shot the woman and then committed suicide.

Sun Fo Urges Pro-Soviet Policy

"We should foster closer friendship with Soviet Russia," Sun Fo, President of the Legislative Yuan, declared in a speech at the weekly memorial service at Nanking March 13. "China should, he said, choose her friends among those whose interests coincide with hers; and at the present juncture, China and Soviet Russia have identical interests vis-a-vis Japan," Mr. Sun said.

CUSTOMS NOTIFICATION NO. 1282

The public is hereby notified that the Government instruct that on 10th March 1933 the Haikuan Tael is to be abolished. Instead the new Standard Silver Dollar will be used. This Standard Dollar which is 88 fine and contains 23.493448 grammes of pure silver has a fixed exchange value of seven mace one candareen and five cash of a Shanghai Tael. The Haikuan Tael equivalen therefore is Hk. Tls. 100=Standard Dollars 155.80. On and after 10th March 1933 all Export and Interport duties and surtaxes and dues hitherto collected in Haikuan Taels are to be collected, and values of all native goods for statistical and all other purpose to be clearly stated in Standard Dollars. Pending general circulation of Standard Dollars other silver dollars circulating locally at par with Sun Yat Sen Dollars will be accepted in lieu of Standard Dollars while other currencies will be accepted only at market rates. Import duties and other Gold Unit levies remain unaffected.

H. O. Tong,
Superintendent of Customs.

A. C. E. Braud,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 10th March, 1933.

CUSTOMS NOTIFICATION NO. 1283

With reference to Customs Notification No. 1,271, conveying Government instructions that the interport duty on native rice or paddy and wheat was abolished and free coastwise movement of these commodities permitted as from the 1st February, 1933, the public is hereby notified that broken rice is to be considered as included under the term "rice or paddy."

H. O. Tong,
Superintendent of Customs.

A. C. E. Braud,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 10th March, 1933.

CUSTOMS NOTIFICATION NO. 1284

In continuation of Customs Notification No. 1282, the public is hereby informed that the Government instruct that from the 10th March, 1933, Tonnage Dues are to be levied at 65 Standard Dollar cents per ton on all vessels over 150 register tons formerly liable to Haikuan Taels 0.4 per ton and at 15 Standard Dollar cents per ton on all vessels of 150 tons or under formerly liable to Haikuan Taels 0.1 per ton. The levy of Tonnage Dues on deck cargo is abolished from the same date. Tonnage Dues certificates now in force are valid till date of expiry.

H. O. Tong,
Superintendent of Customs.

A. C. E. Braud,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 10th March, 1933.

Full Text of the Report of the League Committee of Nineteen

(The publication of the full text of the Report of the Committee of Nineteen, constituted by the League of Nations to investigate the Sino-Japanese dispute, adopted by the Assembly on Feb. 24, was commenced in the Mar. 4 issue of "The Review." The latter part of the Report, consisting of the Recommendations, was published in the issue of Feb. 25).

(Continued from last week)

The Organization of "Manchukuo."—Recognition of "Manchukuo" by Japan

Meanwhile the process of organizing the government of "Manchukuo" continued. The government created a central bank and undertook the administration of the salt revenue (declaring its willingness to continue to pay an equitable proportion of the sums required for the service of the foreign loans secured on the receipts of the salt revenue) of the Customs (making a similar declaration as regards the loans and indemnities secured on the Customs revenue), of the postal services, etc.

A "Manchukuo" army was created with the assistance of Japanese officers engaged as advisers. In a communication dated April 8, 1932, the Japanese Government announced that "the Japanese forces are at present providing the forces of the new government in a friendly spirit with such assistance as they may need to restore and maintain order and tranquillity."

According to the observations of the Japanese Government dated November 18, 1932, the presence of the Japanese troops in the country would enable the principal bandit units to be wiped out within from two to three years.

The relations between Japan and the new state were definite after the dispatch to Changchun, the capital of "Manchukuo", of General Muto, who on August 8 had been appointed Commander-in-Chief of the Kwantung Army and at the same time Ambassador Extraordinary and Plenipotentiary on special mission and Governor-General of Kwantung in order to control the consular services, the Government of the Leased Territory and all the Japanese forces in Manchuria. The new Ambassador carried no credentials and the appointment was made unilaterally by Japan.

Manchukuo Protocol

On September 15 General Muto signed with the Prime Minister of Manchukuo a protocol containing the following provision:

> "Whereas Japan has recognized the fact that Manchukuo, in accordance with the free will of its inhabitants, has organized and established itself as an independent state, and whereas Manchukuo has declared its intention of abiding by all international engagements entered into by China in so far as they are applicable to Manchukuo, now the Government of Japan and Manchukuo have, for the purpose of establishing a perpetual relationship of good neighborhood between Japan and Manchukuo, each respecting the territorial rights of the other, and also in order to secure the peace of the Far East, agreed as following:—
>
> (1) Manchukuo shall confirm and respect, in so far as no agreement to the contrary shall be made between Japan and Manchukuo in the future, all rights and interests possessed by Japan or her subjects within the territory of Manchukuo by virtue of Sino-Japanese treaties, agreements or other arrangements or of Sino-Japanese contracts, private as well as public.
>
> (2) Japan and Manchukuo, recognizing that any threat to the territory or to the peace and order of the high contracting parties constitutes at the same time a threat to the safety and existence of the other, agree to cooperate in the maintenance of their national security, it being understood that such Japanese forces as may be necessary for this purpose shall be stationed in Manchukuo.
>
> "The present Protocol shall come into effect from the date of its signature."

"Manchukuo" was thus formally recognized by Japan. The Chinese Government protested against this recognition. It represented that, "following the precedent of her policy in Korea, Japan has established a virtual protectorate over Manchuria as a step towards annexation."

Consideration by the Council of the Report of the Commission of Enquiry

The Report of the Commission of Enquiry was signed at Peiping on September 4, 1932, and was communicated to the two Governments and to the members of the League on October 1. The Japanese Government asked for a minimum period of six weeks in which to communicate its observations upon it to the Council, and the Council decided on September 24 to begin its consideration of the Report at the latest on November 21.

On this occasion the President of the Council (the representative of the Irish Free State, Mr. de Valera) expressed regret—with which the Special Committee of the Assembly at its public meeting on October 1 associated itself—that before even the publication of the Commission's Report Japan, not only by recognizing but also by signing a treaty with what was known as the "Manchukuo" Government, had taken steps which could not but be regarded as calculated to prejudice the settlement of the dispute.

"For almost a year," Mr. de Valera said, "the Council, in its collective capacity, and the individual governments which composed it, had scrupulously refrained from uttering any word of judgment on the merits of this grave dispute on the grounds that a Commission had been set up to investigate the dispute in all its bearings, and that until that Commission had reported and its report had been considered by the organ of the League, the whole question was still to be regarded as sub judice."

The Council, at meetings held from November 21 to 28, 1932, considered the Report of the Commission and the observations of the parties. In reply to a question by the President, Lord Lytton stated, on behalf of the Commission of Enquiry, that the latter did not wish to add anything to its report.

As regards the recommendations contained in the Report, the Council noted that it was not able to find in the declarations of the Chinese and Japanese representatives any measure of agreement between the parties which would enable it usefully to engage in a discussion and to submit observations or suggestions to the Assembly.

In these circumstances the Council merely transmitted to the Assembly the Report of the Commission of Enquiry, the observations of the parties and the minutes of its meetings.

Discussion of the Report of the Commission fo Equiryby the Assembly.—Attempt to Negotiate a Settlement

The Assembly met on December 6, 1932. After a general discussion it adopted, on December 9, the following resolution:

The Assembly, having received the Report of the Commission of Enquiry, set up under the resolution adopted on December 10, 1931, by the Council together with the observations of the parties and the minutes of the Council meetings held from November 21 to 28, 1932, in view of the discussions which took place at its meetings from December 6 to 9, 1932: requests the special committee appointed under the resolution of March 11, 1932,

(1) to study the Report of the Commission, the observations of the parties, and the opinions and suggestions expressed in the Assembly in the very form they were submitted;

(2) to draw up proposals with a view to the settlement of the dispute brought before it under the Council resolution dated February 19, 1932.

(3) to submit these proposals to the Assembly at the earliest possible moment."

The special committee of Nineteen was then made up to draft resolutions and a statement of reasons indicating generally the basis on which it ought to be possible to continue its endeavors to effect a settlement of the dispute .

These texts were as follows:

Draft Resolutions No. 1

The Assembly,

Recognizing that, according to the terms of Article XV of the Covenant, its first duty is to endeavor to effect a settlement of the dispute, and that consequently it is not at present called upon to draw up a report stating the facts of the dispute and its recommendations in regard thereto,

"Considering that, by its resolution of March 11, 1932, it laid down the principles determining the attitude of the League of Nations in regard to the settlement of the dispute,

"Affirms that, in such a settlement, the provisions of the Covenant of the League of Nations, the Pact of Paris and the Nine-Power Treaty must be respected,

"Decides to set up a committee whose duty will be to conduct, in conjunction with the parties, the negotiations with a view to a settlement on the basis of the principles set out in Chapter IX of the Report of the Commission of Enquiry and having regard to the suggestions made in Chapter X of that Report,

"Appoints to form a committee the members of the League represented on the special committee of Nineteen,

"Considering it desirable that the United States of America and the Union of Soviet Socialist Republics should consent to take part in the negotiations, entrusts to the above-mentioned committee the duty of inviting the Governments of the United States of America and the Union of Soviet Socialist Republics to take part in these negotiations,

"Authorizes it to take such measures as it may deem necessary for the successful execution of its mission, and requests the Committee to report on its work before March 1, 1933,

"The Committee will have power to fix in the agreement with the two parties the time limit referred to in the Assembly resolution of July 1, 1932, should the two parties fail to agree on the duration of such a time limit. The Committee will simultaneously, with the presentation of its report, submit proposals to the Assembly on the subject.

"The Assembly shall remain in session, and its President may convene it as soon as he may deem this necessary.

Draft Resolution No. 2

"The Assembly thanks the Commission of Enquiry, appointed in virtue of the Council's resolution of December 10, 1931, for the valuable assistance it has afforded to the League of Nations and declares that its Report will stand always as an example of conscientious and impartial work."

Statement of Reasons

The Assembly, in its resolution of December 9, 1932, requested its special committee:

(1) to study the report of the Commission of Enquiry, the observations of the parties and the opinions and suggestions expressed in the Assembly in whatever form they were submitted,

"(2) to draw up proposals with a view to the settlement of the dispute brought before it under the Council resolution dated February 19, 1932,

"(3) to submit these proposals to the Assembly at the earliest possible moment."

"If the Committee had had to lay before the Assembly a picture of events and an appreciation of the general situation, it would have found all the elements necessary for such a statement in the first eight chapters of the Report of the Commission of Enquiry which, in its opinion, constitute a balanced, impartial and complete testament of the principal facts.

"But the time has not come for such a statement. In accordance with Article XV paragraph three of the Covenant, the Assembly must first of all endeavor to effect a settlement of the dispute by conciliation, and if such efforts are successful it shall publish a statement giving facts as it may deem appropriate. If it fails, it is its duty, in virtue of paragraph four of the same Article, to make a statement of the facts of the dispute and recommendations in regard thereto.

"So long as the efforts on the basis of Article XV, paragraph three are continued, a sense of the responsibilities placed on the Assembly in the various contingencies provided for in the Covenant obliges it to maintain a particular reserve. Hence the Committee has confined itself in the draft resolution, which it is today submitting to the Assembly, to making proposals with a view to conciliation.

"By the Assembly's resolution of March 11 the special committee was instructed to endeavor to prepare the settlement of the dispute in agreement with the parties. Since on the other hand it is desirable that the United States of America and the Union of Soviet Socialist Republics should join in the efforts made in collaboration with the re-

presentatives of the parties, it is proposed that the Governments of these two countries should be invited to take part in the negotiations.

"In order to avoid misunderstandings and to make it plain that what is contemplated at the present stage, with the co-operation of two countries not members of the League, is solely the negotiation of a settlement by conciliation, the special committee suggests that it should be regarded for this purpose as a new committee responsible for conducting negotiations and should be authorized in this capacity to invite the Governments of the United States of America and the Union of Soviet Socialist Republics to take part in its meetings.

"The negotiations committee will have all the powers necessary for the executing of its mission. In particular it may consult experts. It may, if it thinks fit, delegate a part of its powers to one or more sub-committees or, to one or more particularly qualified persons.

"The members of the negotiations committee will be guided as regards matters of law by parts one and two of the Assembly resolution of March 11, 1932, and as regards matters of fact by the findings set out in the first eight chapters of the Report of the Commission of Enquiry. As regards the solutions to be considered, they will seek them on the basis of the principles set out in Chapter IX of the Report of the Commission of Enquiry and having regard to the suggestions made in Chapter X of the said Report.

"In this connection the Committee of Nineteen considers that, in the special circumstances which characterize the dispute, a mere return to the conditions previous to September 1931 would not suffice to ensure a durable settlement and that the maintenance and recognition of the present regime in Manchuria could not be regarded as a solution."

On December 15 the two draft resolutions and the statement of reasons were submitted to the parties, the Chinese and Japanese delegations proposed amendments, and the President of the Committee and the Secretary-General were authorized to enter into conversations with them on December 20, when the Committee decided to adjourn until January 16, 1933, at the latest in order to enable the conversations to continue.

Japanese Military Operations At Shanhaikwan Within the Great Wall

Within the Great Wall early in January, 1933, occurred the serious incidents at Shanhaikuan, situated at the extremity of the Great Wall half way between Peiping and Mukden. This city has always been regarded as of great strategic importance. It is on the route followed by invaders who, coming from Manchuria, wish to penetrate into what is now the province of Hopei. Moreover from Hopei is the eastern route into Jehol, a province which Japan regards as forming part of "Manchukuo."

It was from the north of Hopei that, according to Japanese communications, Marshal Chang Hsueh-liang was sending considerable forces into Jehol and that, according to Chinese communications, the Japanese army intended to begin large scale operations in Jehol.

A Japanese communication of December 29, 1932, reported that, during the last few days, the mobilization of Chinese troops directed against Jehol was especially marked. The Japanese delegation further stated on January 4, 1933, that the Japanese authorities at Peiping had vainly endeavored to persuade General Chang to stop this movement of forces and that, in these circumstances of "tension and anxiety," an incident had occurred at Shanhaikuan on the night of January 1-2.

Units of the Japanese army of Kwantung passed the Great Wall and the town was attacked. It was occupied on January 3. The Chinese Government asserts that during these operations thousands of peaceful citizens were slaughtered. It addressed a protest on January 11 to the Powers signatories of the Protocol of 1901 against the unlawful advantage taken by Japan of a special privilege claimed under the Protocol. It declared that it could not assume any responsibility for a situation resulting from the exercise by Chinese defensive forces of their legitimate right to resist the aggressive acts of the Japanese troops.

Failure of the Precedure for Negotiating a Settlement

The Committee of Nineteen met again on January 16, 1933. It noted that, though the conversations with the representatives of the parties concerning the draft resolutions and the statement of reasons framed by it had continued, no new proposal had been received apart from the amendments submitted in December by the Chinese and Japanese delegations.

The Japanese delegation, however, had stated that it was in communication with its Government regarding new proposals which would be submitted within 48 hours.

The Committee received these proposals on January 8. It noted that they differed in several fundamental points from those which it had communicated to the parties on December 15. As, however, the Japanese delegation, when submitting the new proposals of its Government, had specially emphasized that the latter attached great importance to the stipulation that the body to be appointed for the settlement of the dispute should include only members of the League, the Committee of Nineteen felt that if this were the only objection raised by Japan to the texts which had been communicated, it should not be impossible to settle the question in consultation with the parties. It, therefore, asked for supplementary information, particularly on the point whether if this difficulty were overcome, Japan would be prepared to accept the draft resolution No. 1 of December 1st. The Committee thought that it should await the Japanese reply on this point before continuing its conversations with the Chinese delegation, whose proposals did not differ so fundamentally as those of Japan from the texts communicated to the two parties.

On January 21, the Committee noted that the effect of the statements made by the Japanese delegate to its chairman and to the Secretary-General was that the Japanese Government was not prepared to accept draft resolution No. 1 even if the provision that non-member states be invited to participate in the negotiations for a settlement were eliminated from the draft.

The Japanese Delegation in making these statements had submitted new proposals on behalf of its Government.

The Committee, after examining these proposals (Annex 1) together with the amendments submitted by the Chinese delegation to the Committee's texts of December 15 (Annex 2), could do no more than note that it was impossible to frame a draft resolution acceptable to the two parties. The importance attached by the Chinese delegation and by the Committee itself to the participation of the United States of America and of the Union of Soviet Socialist Republics in the negotiation of a settlement made it impossible to eliminate, at the sole request of Japan, the provision concerning the invitation to those states if the Committee must at the same time modify, in the sense of the Japanese proposals, the other provisions of draft resolution No. 1.

(To be continued next week)

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Total Share Values on Tokyo Exchange Fall by Yen 932,000,000

In one and half months the total value of the listed stocks on the Tokyo Exchange have declined by more than Yen 932,000,000, according to figures of the Exchange published in the *Osaka Mainichi* Feb. 25 covering the period from Jan. 4. to Feb. 15. The total value after the close of business on February 15 stood at Yen 3,538,200,000, with Yen 50.83 the average price per share, taken on the basis of Yen 50 paid up. The decline was chiefly due to the heavy collapse on February 9, 14, and 15, caused by bearish news from Geneva,

The current value of public utility shares stood at Yen 1,225,720,000, with a Yen 33.75 average value; money and financing Yen 220,445,000, averaging Yen 68.62; mining Yen 325,944,000 with Yen 58,12 average; textiles Yen-383,227,000 with Yen 114,11 average; manufacturings Yen 893,423,000 with Yen 66.08 average; commerce 40,167,-000 with Yen 51.01 average; transportation Yen 147,585,000 with Yen 41.65 average; exchanges Yen 205,207,000 with Yen 129.31 average; and miscellaneous Yen 51,482,000 with Yen 38.83 average.

The decline was heaviest in the exchange shares, followed by textiles, manufacturing, commerce, miscellaneous, mining, money and financing, and transportation. It was least in public utilities.

Arms Exported to Japan and China During Last November

Particulars of the arms and munitions and naval and military stores licenses to export to Japan and China during November 1932 were given recently by the President of the British Board as follows:

China.—One artillery rangefinder; one 4.75 in. naval gun; 250 4.74in. shells; 1,000,000 7.9mm. rifle cartridges; 100,000 .5in. machine-gun cartridges.

Japan.—Two hundred sets of spares and accessories for 7mm. machine-guns; 50 7.7mm. machine-guns with spare parts; one aircraft gun mounting.

CUSTOMS NOTIFICATION NO. 1285

With reference to Customs Notification No. 1,255, to the effect that the export of rice to Manchurian ports, including Dairen, is prohibited provisionally, the public is hereby notified that this provisional prohibition is extended to all other cereals the exportation abroad of which is at present prohibited.

H. O. Tong,
Superintendent of Customs.

A. C. E. Braud,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 11th March, 1933.

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The National City Bank of New York, Rates of Exchange

Shanghai, March 18, 1933.

Demand selling rate on America:	U.S. $100=Sh. $474.77
Demand buying rate on America:	U.S. $100=Sh. $465.55
Demand selling rate on London:	£1.0.0=Sh. $16.41
Demand buying rate on London:	£1.0.0=Sh. $16.15

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The New Standard Chinese Dollar

The new standard Chinese dollars made their appearance this week. They are being produced at the new Central Mint, the best equipped establishment of its kind in the world. The pictures herewith show the front (left) and reverse (right) side of the new dollars. The dollars have little ornamentation, but their very plainness is the best possible protection against counterfeiting, as no

ordinary pressure will give the clean smooth surface that the new dollars show. The Chinese figures above Dr. Sun Yat-sen's head mean the 21st year of the Chinese republic (that is the year 1932). The characters on the reverse side (with the design of the junk) mean one yuan (that is, one dollar). According to report the designs were made by an Italian artist and the dies were struck in the Philadelphia Mint.

The Lady in the Recent Jovino Motorcar Collision

L. T. Jovino, manager of an Italian Steamship Company in Shanghai, has filed a lawsuit at the Special District Court against Miss Hsueh Chin-yuan, sister-in-law of General Chang Huei-chang, the famous Chinese aviator who is known as "Lindbergh of China," for her illegal relationship with his son Joseph. The story as told in the Shanghai Chinese newspapers is that Miss Hsueh lived next door to the Jovinos at Macao and when the latter came to Shanghai the girl also came to this port. Here Joseph fell in love with her and they lived together for some time until Joseph had a motor accident in which he injured three Japanese marines. According to the plea filed in court, Jovino declares her action is in violation of Paragraph Two of Article 257 of the Chinese Criminal Code and requests that due punishment be meted out to her for her illegimate connection with his son, who is still a minor. The case was set for trial on March 16.

Statesmen or Fools?

To the Editor, *The China Weekly Review*:—

The Lytton Report has pointed out that the invasion of Manchuria by Japan does not justify her action in self defense, and the so-called Manchukuo Government was not the spontaneous act of the people of Manchuria; but created by Japan's military force. The principal object of the League of Nations is to attain World Peace, and to arrive at such an ambition, the course has been set, that any disputes between Nations is to be settled by peaceful means and not by armed force.

I am one of the the optimists—I have said from the beginning that the League will not fail, and I am still under the same impression; unless you can assure me that the so-called statesmen are fools. I personally think statesmen are statesmen, they are no fools; but they do things in a much deeper way.

TIME WILL DECIDE.

Jesselton, B. N. Borneo, Jan. 28, 1933.

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CHINESE PUT UP STRONG RESISTANCE AT HSIFENGKOW

(*Continued from page 91*)

Peking, Tientsin, Shanhaikuan or anywhere else if General Chiang Kai-shek really attempts to wrest back Jehol.

Much Money Raised in Kwangtung for Air Defence

Advices from Hongkong state that large sums of money have been raised in Kwangtung province for buying armaments and airplanes. There are the $30,000,000 worth of military defence bonds floated by General Chen Chi-tang not long ago. Then the air force floated $5,000,000 premium bonds. Now landlords are required to contribute *one month's rent* for aerial defence of Kuangtung. So far $300,000 has been collected, and more money will be available later. Shipments of machine guns, Stokes morters and anti-aircraft guns are due shortly in Hongkong from England for the Cantonese forces.

Mandate Issued Dismissing Tang Yu-Lin

The National Government issued an official Mandate March 9, ordering the dismissal and arrest of General Tang Yu-lin, erstwhile Chairman of the Jehol Provincial Government, for deserting his post.

The mandate mentions that at a time when the operations at the front were in a most critical stage and when brave and loyal officers and men were resisting the enemy with unflinching determination, Tang cowardly deserted his post, thereby seriously affecting the whole military situation.

Tokyo to Requisition Motor Vehicles

The Japanese War Office has announced its intention to requisition a part of the motorcars and trucks belonging to companies in Tokyo, Osaka and Nagoya which receive Government subsidies. This action, which has been caused, in the words of the War Office, by the "present emergency," is interpreted as a precautionary measure in the event of developments in North China.

Charhar is Against Japanese

Members of the government of Charhar, a province contiguous to western Jehol, last week issued a circular telegram denying Japanese reports to the effect that they had entered into negotiations with a view to pledging allegiance to Manchukuo. The telegram declared that General Sung Chih-yuan, chairman of the Charhar provincial government, had been personally directing military operations against the Japanese at Hsifengkow.

Chiang Kai-Shek Announces Determination to Resist Invaders

A statement announcing his determination to take the lead in resisting the Japanese invaders was issued by General Chiang Kai-shek, President of the Military Affairs Commission, from Chengchow March 8, while *en route* to the north. The statement among other things said, "So long as our lost territories remain unrecovered, I can never shirk and abandon my responsibility for resisting the Japanese. For we are fighting not merely for the defense and the very existence of the nation, but also to check Might and vindicate the cause of Right. I earnestly hope that all our compatriots in the entire nation, mindful of the critical nature of the situation, will sink personal differences and strive in the spirit of union and with indomitable will. The only gleam of hope for us now lies in the united front of the nation. I myself shall strive in this direction and I hereby pledge to lead the vanguard of the nation in order to carry out my duty to the Party and the State."

Yen Hsi-shan Meets Chiang Kai-shek Near Peiping

Marshal Yen Hsi-shan, "the *model governor*" of Shansi arrived at Shihchiachwang March 11 and conferred with General Chiang Kai-shek regarding the Sino-Japanese situation. This was their first meeting since 1929 when General Chiang Kai-shek proceeded to Honan to direct the operations of the government troops against the allied forces of Marshal Yen Hsi-shan and the so-called "Christian General," Marshal Feng Yu-hsiang, who had rebelled against Nanking.

General Yen was accompanied by Chao Tai-wen. It was decided at the conference to appoint General Fu Tso-i as Garrison Commander of Charhar. It is also reported that General Wang Ching-kuo will be appointed Chairman of the Suiyuan Provincial Government.

Japanese Prepare to Attack Dolonor

It is reported from Dolonor in Chahar that the Manchukuo and Japanese troops are moving from Lintung and Linhsi in northern Jehol with the obvious intention of attacking the Chinese position at Dolonor in order to prevent a counter-attack from the west of Jehol.

Tense Situation at Hankow

The Chinese newspapere state that the Japanese authorities have issued orders instructing Japanese merchants to cancel their orders placed in other ports. Japanese residents in Hankow have received strict instructions to leave as soon as possible, while the Japanese warships at Hankow have also received orders to be prepared for action.

Radical and Communist Ideas Spread in Japan

The spread of radical ideas in Japan continues and arrests of Communists continue in Tokyo, the most recent outstanding case involving a soldier in the army, Tameyoshi Watanabe, 22, a second-class private, and several other soldiers, who were taken into custody by the Shibuya gendarmerie corps. Watanabe was charged with violating the peace preservation law and confined to a military prison and it is expected that he will be court-martialed shortly. No other details of the case have been given out by the military authorities.

It was discovered that Watanabe was a member of the Anti-Imperialism League, an organization which he joined two years ago. Since that time he had been actively engaged in dissemination of radical doctrines at the army barracks to which he was assigned and formation of Communist "cells" among soldiers. He was agent for the distribution of Communist periodicals, and other red literature among soldiers. Police also made what is reported as an important arrest in the capture of Miss Tatsuko Tamahashi, 23-year-old daughter of a Government engineer by Imperial appointment. At Miss Tamahashi's home more than 250 copies of the *Red Flag* were seized by the police. Morooka Kunio, a professor at the Bunka Gakuin (an institution of university status) has been detained at the Tsukiji police station, Tokyo, on a charge of Communist movement in the school.

Geneva's New Problem: What Is an "Aggressor?"

Definition of the meaning of the word "aggressor" is one of the pressing problems being tackled by the Political Commission of the Disarmament Conference which met at Geneva March 10 to consider the Russian view on this point. Captain Anthony Eden, British delegate, and Hugh Gibson, American delegate, expressed misgivings as to whether definitions of "aggressor" as rigid as those suggested were either practical or useful. Mr. Yada (Japan) said that the definition of the term "aggressor" would always involve a difficult inquiry, in which it would be necessary to take into account all problems relating to the dispute. He would ask that a just formula be sought which had regard to realities.

Registration of Newsmen Provided For in New Regulations

A set of regulations was promulgated by the Chinese Ministry for Foreign Affairs on March 3 concerning the registration of foreign correspondents and persons who are correspondents for foreign news agencies and newspapers.

According to the new regulations which become effective as from the date of promulgation, foreign correspondents must apply to the Publicity and Intelligence Department of the Foreign Office for registration certificates without which the correspondents cannot obtain the necessary press cards from the Ministry of Communications for filing press messages.

The regulations further stipulate that the Publicity and Intelligence Department of the Foreign Office has the power to withhold the issuance of registration certificates to certain correspondents if such step is deemed advisable. Certificates will be good for a period of two years and the registration fees are $2 for each certificate applied for.

Eighth Anniversary of Dr. Sun Yat-sen's Death

Memorial services were held throughout the China March 12 on the occasion of the eighth anniversary of the death of Dr. Sun Yat-sen. The day was also observed as National Arbor Day. At Nanking flags were hoisted at half-mast and amusement resorts were closed for the day. Special memorial services were held at Central Party Headquarters and at National Government House.

Japanese Attempt to Kidnap Formosan at Amoy Fails

An attempt by Japanese consular police to kidnap a Formosan suspected of murder was made at Amoy on the evening of March 12. The incident occurred shortly after eight o'clock at night when three Japanese consular policemen attempted to arrest Chen Yung-chang, a Formosan, on Minsen Road. Chen resisted, opened fire with his pistol and escaped after wounding one of the Japanese. The wounded man died on the way to hospital.

The aid of the Chinese police was then sought by the Japanese police and the entire city and its surrounding waters were combed. The house in which Chen was hiding at the time of the incident was also searched by the Japanese in company with the Chinese police.

In view of the fact that the Japanese consular police, in attempting to arrest the Formosan in Chinese territory without the previous permission of the Bureau of Public Safety, were acting contrary to the proper procedure, the Bureau authorities have requested the Provincial Government to make strong representations to the Japanese Consulate against such irregularity in view of the serious consequences that might occur.

Escaped French Convict Captured in Shanghai

An escaped convict, who got away from the French penal colony in French Guiana in 1927, was captured by French authorities in Shanghai when he arrived in China on the German ship s.s. *Culmerland*, March 11. The fugitive, said to be Cheval Claude, 26, is understood to have killed a commissioner of marines six years ago.

According to the French police, he was sentenced to be guillotined, but he was granted clemency and instead condemned to life at hard labor in the French penal colony. It is said that, in 1931, when he was en route to St. Laurent de Maroni, in French Guiana, he escaped with several other convicts to Trinidad. For the past two and one-half months he had been boatswain on the *Culmerland*. He will in due course be returned to the penal colony.

Jury of Women Finds Two Women Insane

Following inquiries in the U. S. Court for China March 11 before A. Krisel, Commissioner, and a jury, consisting of Mrs. Margaret Crane, Mrs. Gertrude Bryan, Mrs. Selma Payne, Mrs. Edna Alexander, Mrs. Helen Judd and Mrs. Margaret Wythe, into the condition of Mrs. E. B. K. Wees, and Mrs. L. G. Kyer, both women were declared to be insane. Dr. George Sellett conducted the investigation, while C. P. Holcomb appeared for the husbands of the two women. Dr. W. K. Nance, medical practitioner, was one of the witnesses. Both Mrs. Wees and Mrs. Kyer are at present confined in the Victoria Nursing Home, and will be sent to the United States in the near future.

Removal of Shanghai North Station Postponed

Owing to the present state of uncertainty, the Ministry of Railways has decided to postpone the removal of the Shanghai North Railway Station to Chenju. The step looking toward the removal was decided upon following the destruction of a large part of the station during the Sino-Japanese hostilities over a year ago.

Theodore Roosevelt, Jr., Resigns Post as Philippines Governor

President Roosevelt on March 7 accepted the resignation of Theodore Roosevelt Jr., Governor-General of the Philippines, and also that of the Vice-Governor, Mr. Holiday. The President immediately reappointed Mr. Holiday Vice-Governor and instructed him to act as Governor-General until the new Governor-General, Homer Cummings, of Connecticut, reaches Manila.

Ex-Governor Roosevelt is due to leave the islands on March 24.

National Athletic Meet to Be Held October 10

The next National Athletic Meet is announced to be held at Nanking on October 10. The Ministry of Education has been authorized to arrange with the authorities of the Mausoleum Park for temporary control of that area in order to facilitate preparations for the athletic meet to be held at the Central Stadium, which is situated within the Park.

Anti-Japanese Movement Increases in Hankow

Following the kidnapping of Li Han-ching, a well-known coal merchant at Hankow, the "anti-Japanese" kidnappers in that city recently wrote to the family of the kidnapped man demanding a cash payment of $30,000 as ransom. Since the murder of Li Chih-cheng, compradore for the Nisshen Kisen Kaisha and the kidnapping of Li Han-ching, above recorded, the Chinese merchants are stated by the Japanese to be extremely frightened of the incidents, while various rumors of a disquieting nature are freely circulated.

Movements are stated to be on foot to discontinue the supply of rice and other foodstuffs to Japanese residents in Hankow and it is reported that a large Chinese rice merchant, who had been supplying rice to Japanese customers, is closing down and leaving Hankow for Shanghai, on account of the severe oppression by the anti-Japanese agitations.

Soviet G. P. U. Arrests Six Britons

Thirty-one persons including six British subjects, have been placed under arrest (four of them employees of Metro-Vickers Co.) by the State Political Department Ogpu in Moscow in connection with alleged wrecking activities in Soviet electrical enterprises. A G. P. U. announcement stated that the aim of this group was to destroy the electric power stations of Soviet Russia and thereby put out of commission the state plants served by them.

A Latvian in the employ of the Ingersoll Rand Co. was among those arrested.

Central Bank Report Shows Exceptionally Sound Condition

The 154th examination (March 10) of reserves held against note issue by the Central Bank of China shows that the total amount of dollar notes and subsidiary coin notes in circulation is $44,176,230.00.

Reserves against same include cash, $36,697,280.00, and securities $7,479,000.00.

The total amount of customs gold unit notes in circulation fully secured by gold is C.G.U.420,281.40.

The report of the Land Bank of China, Ltd., March 11 shows the total amount of notes in circulation to be $5,059,000.00, against which there is a cash reserve of $4,030,388.00 and a securities reserve of $1,028,612.00.

U. S. Asiatic Fleet May Not Visit Chefoo This Summer

The sudden decision of the U. S. Naval authorities to transfer the flagship *Rochester* from Shanghai to Manila, announcedly for junking purposes, was responsible for an unconfirmed report that Admiral Taylor had decided not to send the U. S. Asiatic Fleet to Chefoo and Tsingtao this summer. The reason was given as "economy," but elsewhere it was reported the move had some connection with present disturbed conditions in the Far East. According to the report the fleet will be kept in Manila Bay indefinitely.

Peiping Treasures to Be Stored in French Concession

A large staff of engineers connected with the Shanghai Telephone Company is now engaged in constructing an elaborate burglar alarm system in a large reinforced-concrete building on Rue Montauban, French Concession, which will be used as a storage place for the art treasures and antiques recently brought to Shanghai from Peiping. The building formerly was used as a hospital prior to the construction of the present Shantung Road Hospital. The building is owned by the Shanghai Land Investment Co., a British concern.

Canton Accepts Responsibility for Red Suppression

The Chinese press states that an agreement has been reached between the Cantonese authorities and the Central Government whereby the southern provinces will accept full responsibility for the suppression of the communists in Kiangsi, leaving General Chiang Kai-shek free to devote himself to the situation in North China.